

## **The complaint**

Miss S complains about the service she received from Capital One (Europe) plc in relation to her persistent debt repayment plans.

## **What happened**

Miss S entered into a persistent debt repayment plan in January 2021. Capital One said this was to support her in bringing her account out of persistent debt – effectively she had paid more in interest, fees and charges than she had repaid towards her capital balance for a period of time. The plan Miss S entered would allow her to continue spending on the card but would ensure that she would no longer be in persistent debt.

In January 2022, Capital One wrote to Miss S to explain there had been an error with how her payments had been allocated whilst she was on the plan. Due to a system error, Miss S's payments had only been going towards her persistent debt balance and not her purchase balance. To rectify the error, Capital One moved the amount owing under Miss S's purchase balance, that had received no payment, into her persistent debt balance. It then reset Miss S's persistent debt plan to take this balance into account.

Later in January 2022, Miss S told Capital One that she would be five days late making a payment towards her account due to some payroll issues. Miss S says this extension was agreed and she made the payment by the specified date. However, Capital One cancelled her persistent debt plan and suspended her card. Unhappy about matters, Miss S complained to Capital One.

Capital One said Miss S's plan was automatically cancelled because a payment was missed. Ultimately, it didn't uphold this element of her complaint. In relation to the payment allocation issue that happened before this, it credited £50 to Miss S's account for the distress and inconvenience caused and reiterated that it had reset her plan to put things right. Capital One also addressed some other matters in a follow-up final response letter, including that it recognised that Miss S had been provided with some confusing information relating to her balance. It paid £50 compensation into her account for this.

Miss S remained unhappy with Capital One's response and brought her complaint to this service. One of our investigators reviewed matters. In summary, she thought Capital One had fairly suspended Miss S's account because she had missed a payment. However, she thought Capital One had acted unfairly in the way Miss S's minimum payments were allocated and in the way it communicated with her. Overall, she thought it should pay Miss S an additional £200 compensation for the distress and inconvenience caused.

Capital One didn't dispute our investigator's view, but Miss S did and mostly repeated her earlier points. Miss S also had several questions about some of the information Capital One had provided, and that our investigator had commented on. As an agreement couldn't be reached, the case was passed to me to decide.

I discussed matters informally with Miss S. In summary, I explained that whilst I thought Capital One had made some errors, based on the information I had seen I was minded to



agree with the redress our investigator recommended. Miss S disagreed that this was fair compensation and explained how Capital One's errors had impacted her. I asked Capital One for some further information and I also explained to Miss S that I would review matters in full before issuing a formal decision.

I then issued a provisional decision where, in summary, I said I thought the most Miss S could have lost out on as a result of the error with payment allocations was close to £80. In relation to the late payment, I thought Capital One had given Miss S misleading information and clearer information would more likely than not have resulted in her making a payment in time. This would have prevented the persistent debt plan ending and prevented Miss S being given a new plan with increased monthly payments.

While Miss S had been making higher payments though, this was towards money owed to Capital One. And because the interest rate on both plans were the same, she made an interest saving as a result of the extra payments. So, I thought it was reasonable for Capital One to keep the payments already made. To put matters right, I gave Miss S the option of going back to reduced payments in line with the old plan. I acknowledged that the old plan was due to last longer and given that the interest rate on both plans were the same, I thought going back to these payments would cost Miss S more overall. So, the alternative was to remain on the current plan. I also recommended that Capital One pay an additional £250 compensation for the overall distress and inconvenience caused.

In summary, both parties responded to outline that the persistent debt plan had since ended – as I understand it, there was an error which resulted in an adjustment. Amongst other points, Miss S outlined her concern with these issues and asked for matters to be paused until she received further information relating to this.

I then wrote to both parties informally in light of these developments and said I was now not intending to recommend any changes to the plan, given that it had since ended. Instead, I was minded to award the distress and inconvenience payment of £250 only, in addition to the £100 compensation which had already been paid. I also noted that further concerns had been raised, however I'd only be considering matters which were central to this particular complaint, and that Capital One has had the opportunity to address.

Capital One accepted these provisional findings, however Miss S didn't. In summary, she reiterated her concerns with the new issues that had come to light. She also reiterated why she didn't think £250 additional compensation fairly reflected the impact caused.

### **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've considered all the information both parties have sent in response to my provisional findings. Having done so, I've not changed the opinion I expressed in both my provisional decision and the subsequent informal follow-up correspondence I sent to both parties. I'll explain my reasons why.

I'd like to thank Miss S for providing the detail she has in her submissions to this service. I have read and taken into account all that both parties have provided, however, my findings will only address matters I consider central to the outcome of this complaint. So, I won't address every point that has been raised, although I have taken every point into account when coming to my decision. I trust this won't be taken as a discourtesy, but this reflects the informal nature of our service.



As I've also previously explained to Miss S, I'm only able to consider complaint points that have been raised with Capital One, and that it has had the opportunity to consider. Therefore, whilst I appreciate that Miss S has raised further concerns since this complaint has been with our service, I won't be addressing them in this decision.

As I understand it, Miss S's payments were going towards the persistent debt balance only and not the purchase balance. Capital One said this was due to a system error and I have no reason to doubt that this caused the issue. Miss S wants to know how long the error had been ongoing and exactly how much she's lost out on as a result, however Capital One hasn't been able to provide this information. Instead, it moved the amount from Miss S's purchase balance, which had received no payments, into her persistent debt balance. It then reset Miss S's persistent debt plan and credited her account with £50 for the distress and inconvenience caused.

Miss S's plan began in January 2021 and Capital One noticed the error in January 2022. So, I've reviewed Miss S's statements for that year, given that this is the longest possible period of time this error could have been going on for. I've looked approximately at what the monthly interest charge was as a percentage of Miss S's monthly purchases. I've then applied a similar percentage charge to what those purchase balances would've been, had the balances been reduced as a result of her payments being correctly apportioned, rather than just going towards the persistent debt balance.

Having done this, I've concluded that in an absolute worst-case scenario, Miss S would've likely been charged close to an additional £80 on her purchase balance as a result of Capital One's error. However, in this scenario Miss S would've paid less interest towards her persistent debt balance as a result of the error, given that she was making higher payments towards that balance. So, any actual loss Miss S suffered is less than what I've outlined above because it doesn't take into account the extra interest Miss S would have had to pay on the larger persistent debt balance which she should have had. But in the absence of any calculations from Capital One, I think it's fair to give Miss S the benefit of the doubt here and consider that based on what happened – including the payments made – the maximum possible loss as a result of the error is close to £80.

I appreciate Miss S wants a definitive calculation to work out her losses, however my role here is to review what's fair and reasonable based on the information available. In doing so, where there has been a loss, I'll need to consider what fair compensation would be in the circumstances. Here, I'm satisfied that the absolute most Miss S could have lost out on is close to £80 and this doesn't take into account a corresponding interest adjustment on the persistent debt balance. I'll revisit this in more detail when considering overall compensation later in this decision.

I'll next move on to Miss S's second point. Miss S told Capital One that she was having issues with her payroll and would be late making her payment in January 2022. Miss S said whilst there was a chance she could be paid in the next day or two, she was requesting an extension until 28 January 2022 just in case. She says she was advised to proactively cancel her persistent debt repayment plan and then contact Capital One once the payment was made so the plan could be reinstated. However, when she did so she was told that her card had been suspended and she would need to pay a significantly higher payment to reinstate the plan – close to £67 extra each month.

In my opinion, Capital One has provided conflicting information about this matter. I think that this is reflective of the confusion over what happened. It initially told this service that Miss S didn't miss a payment, but instead the plan was manually broken. However, more recently it said that the plan was broken because a payment was missed. As I understand it, the card was then suspended because there was no plan on the account.



Since my conversation with Miss S, I've now had a chance to listen to the calls relevant to this issue. Having done so, I've noted that Miss S called Capital One after the payment was due. She was told by Capital One that an extension wasn't possible and that her persistent debt plan would likely break given that she was late making a payment.

That being said, I'm also mindful that the terms of Miss S's plan say the following:

*"If you miss a payment and don't pay it by the time your next statement is issued we'll cancel your Repayment Plan. But if you then bring your account up to date before the following statement we'll look at resetting your plan, if a similar one is available. We'll let you know if this happens."*

As I understand it, whilst Miss S contacted Capital One after the due date this was still before the date the next statement was generated. I say this because Capital One has told this service Miss S called it on 24 and 25 January. On one of these calls, an adviser says that Miss S's statement wouldn't be generated until 27 January. Therefore, I think the advisers could have made Miss S aware that making a payment before the date the statement was generated would result in the plan remaining as it was.

I'm also conscious that Miss S asked about the consequences of making a late payment, to which the initial adviser replied there would be no consequences as such, other than the plan being removed. Miss S also asked about the arrears that would accrue as a result of the late payment. In summary, she said she would like clarity about the amount and then said the following:

*"...the payment was due the 23<sup>rd</sup> [sic] so it's five days late, how much of an impact would that be? Because if it's going to be, you know, a ridiculous sum then I might have to make another decision..."*

In another conversation with an adviser, Miss S was told that she would need to call back when she had been paid and Capital One could reset her persistent debt plan. The adviser then said the following:

*"...of course it'll be around the same amount as well. Because the plan has been broken, there may be a chance that it might be a little different...potentially. If it's not within your affordability just feel free to let us know and then we can have that looked into for you right away."*

I've thought very carefully about all the information I've been provided with. I do think Capital One's advisers could have been clearer with Miss S that making a payment within the next couple of days would result in the plan remaining on the account. I can also understand why Miss S may have felt that there would be minimal consequences to the plan breaking. I think Miss S was led to believe that a subsequent plan would be similar to what she was paying at the time and whilst there was a chance it could possibly be slightly different, this could be reviewed if it was unaffordable.

I've considered that Miss S was clear that the issue with her payroll hadn't affected any other bills and, as I understand it, the purpose of her calls with Capital One was to understand the situation at hand so she knew what she needed to prioritise and make decisions accordingly. Miss S also mentioned she could make other decisions if needed, in the event that the missed payment would result in her having to pay significantly more. Whilst I note Miss S was referring to arrears here, I think it gives important context to what she might have considered had she been told a new plan may be much more expensive than what she was originally paying.



When this service recently asked Miss S for more clarity on her thoughts on this point, she says she thought she made it clear to the adviser that if she could make a payment before 28 January, then she would do so. She also said that even if it would have made things more difficult for her financially, if the adviser felt that the impact to the account would be severely negative, then she would go ahead and make a payment before 28 January. And what she was essentially looking for was some breathing space.

Therefore, having considered all of this information carefully, I'm more persuaded that Miss S would more likely than not have considered other arrangements to make a payment before the next statement production date, if she was told there was more of a chance of the amount changing. And whilst I appreciate Capital One won't have known the exact details of what a new plan would cost, I do think it could've managed her expectations better here. So, I'll next need to think about how it puts matters right.

I'm conscious that whilst Miss S has been making higher payments as a result of the new plan, these are payments towards money she owed Capital One. And given that the interest rates on both the old and new plan are the same, she has made an interest saving as a result of having made the extra payments. So, I think it's reasonable for Capital One to keep any money that was owed from the payments Miss S has already made.

As I understand it, Miss S's persistent debt plan has now ended. Therefore, as outlined in my informal email to the parties, I am no longer recommending that any alterations are made to it. However, overall, I do think Capital One's actions over the relevant period have caused Miss S a degree of distress and inconvenience. Miss S was made aware that there was an error with how her payments were allocated, yet Capital One couldn't tell her how much she'd lost out on or how long the matter had been ongoing. I also think Miss S would've been inconvenienced for having to pay a larger monthly payment on her plan because Capital One hadn't properly managed her expectations.

Additionally, there have been other instances of misinformation provided that Capital One itself has acknowledged. Overall, Capital One credited Miss S's account with £50 for the error with payment allocations and another £50 for providing her with confusing information. However, having reviewed all the available information, I don't think this goes far enough to recognise the full impact of the service on Miss S. As I've outlined previously, Miss S may have lost up to £80 because of the issues with payment allocations, and I'm mindful that Capital One's overall service could have been better. So, with that in mind, and considering the overall impact of all Capital One's errors, I think an additional £250 compensation is a fair and reasonable amount to recognise the distress and inconvenience caused.

### **My final decision**

I uphold this complaint and direct Capital One (Europe) plc to pay Miss S £250 compensation, in addition to the £100 compensation it has already paid her, for the distress and inconvenience she has been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 March 2024.

Hana Yousef  
**Ombudsman**