

The complaint

Mr W complains about the way MBNA Limited dealt with his account after he fell into financial difficulty. He's particularly concerned that MBNA recorded information on his credit file that showed his account as being in default and that it has terminated the credit facility.

What happened

In August 2022 MBNA contacted Mr W about the position of his credit card account, as he'd failed to make payment when due. Mr W got in touch with MBNA to say he was having financial problems and in mid-September the bank approved a temporary suspension of payments and interest.

This arrangement expired in November 2022 and was replaced by a three-month arrangement to accept reduced payments of £35 monthly, intended to provide Mr M with breathing space. At that time the account arrears stood at a little over £1,200. MBNA told Mr W that this arrangement didn't change the regular monthly payment that was due, and arrears would continue to accrue. The bank's letter also said that Mr W would need to contact it towards the end of the plan to review the position.

MBNA wrote to Mr W again in February 2023 as the payment arrangement had come to an end. The arrears balance then stood at £1,782.53. By April that arrears sum had risen to £2,157.34, and on 22 April MBNA issued notice of default, seeking payment of the arrears by 10 May.

Prompted by this correspondence, Mr W got in touch with MBNA on 8 May and was given a further three-month payment suspension, with a specified end date of 8 August 2023. The bank reiterated that the arrangement didn't affect the contractual monthly payments and that Mr W needed to get in touch towards the end of the plan to see what could be done at that point.

Mr W's next communication with MBNA was an account statement dated 13 August 2023, seeking repayment of the arrears balance, by then £3,006.70, together with the contractual monthly payment of £220.22. He contacted MBNA to be told the account was in default and on its way towards debt recovery.

Mr W felt this was unfair, and that MBNA hadn't made clear the steps he'd need to take to avoid the default and termination of his account. He says he intended to repay the balance over two payments, and sought removal of the default, which MBNA declined.

Our investigator didn't think the way MBNA had dealt with Mr W's situation was unfair. She found it had engaged with his difficulties, provided solutions that meant Mr W was making affordable payments and avoiding further interest and charges.

The investigator thought MBNA had been sufficiently clear in its correspondence with Mr W that it was incumbent on him to make contact before the payment suspension ended on 8 August. His own evidence was that he didn't get in touch until after he received the statement of 13 August. She considered it wasn't unreasonable in such circumstances for the account to be defaulted and for this to be recorded on Mr W's credit file.

But Mr W didn't accept the investigator's findings. He maintained the bank was wrong to register the account in default and that it hadn't been clear enough. He asked for this review.

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.

Having done so, I'm not upholding Mr W's complaint. I'm satisfied MBNA took appropriate steps both in supporting Mr W when he informed it of his financial difficulty. The payment and interest suspensions, reduced payment arrangement and processes the bank followed in notifying Mr W all speak to this.

I don't share Mr W's view that MBNA failed to make clear that he would need to contact it, or that the bank needed to do more to alert him to the consequences of not doing so. MBNA's default notice made those consequences clear. There's no obligation to send a further notice or reminder before taking the actions therein. And the letters MBNA sent Mr W about the arrangements set out specifically that Mr W would need to contact it before the end of each plan to review the situation.

MBNA's letter of 10 May in particular says *"Your plan will end on 8 August 2023"* and *"As you'll still be behind with payments for this account, you will need to get in touch with us towards the end of this plan so that we can see what we can do for you next."*

That was, in my view, quite clear. Mr W's evidence is that he didn't in fact get in contact with MBNA until after he received the account statement dated 13 August. The bank's records indicate this contact was on 21 August. That was nearly two weeks after the end of the plan, rather than towards the end of it.

I appreciate Mr W feels it was unfair for MBNA to proceed with the account termination and recording the default. And I can understand why it's important to him to preserve his credit rating. But I don't consider the bank's action in recording the default is inconsistent with the standards set out in the Information Commissioner's Office's ("ICO") relevant guidance¹ or any of the principles or conduct of business rules in the Financial Conduct Authority ("FCA") Handbook². So while I appreciate the impact of the information MBNA has recorded, I'm not persuaded I can properly require its amendment or removal. It seems to me to be a true reflection of the conduct of the account.

My final decision

Overall, I don't think the way MBNA Limited has dealt with Mr W and his financial difficulty has resulted in unfairness towards him. It follows that my final decision is that I don't uphold his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 August 2024.

¹ ICO: Principles for the Reporting of Arrears, Arrangements and Defaults at Credit Reference Agencies (July 2016)

² FCA Handbook: CONC 7.3 Treatment of customers in default or arrears (including repossessions): lenders, owners and debt collectors

Niall Taylor
Ombudsman