

The complaint

Mrs H complains that Barclays Bank UK PLC trading as Barclaycard acted unfairly by failing to set up a payment plan for a credit card account she held with it when she was experiencing financial difficulties.

What happened

Mrs H has held a credit card account with Barclaycard since 2015. In October 2020 Barclaycard took the decision to suspend Mrs H's credit card because the account had been in persistent debt for some time. Persistent debt means that, although Mrs H hadn't missed any payments, she was paying more in interest than off the principal each month. Barclaycard said that by suspending her account Mrs H was prevented from increasing the balance and incurring extra debt. Barclaycard also sent Mrs H details of tailored payment amounts that she would need to make to move the account out of persistent debt and clear the balance in a reasonable period of time. It accepts however that these payment plans may not have been affordable for her.

Mrs H continued to regularly pay the monthly contractual minimum amount and interest was added in accordance with the credit card's terms and conditions.

In September 2023 Mrs H called Barclaycard to complain about the interest rate that was being applied to the credit card account. She said she was struggling to make the payments. Mrs H also said she wanted to complain about irresponsible lending by Barclaycard.

Barclaycard opened a complaint for her during the call and it also took Mrs H through an income and expenses form to ascertain what her disposable income was and whether a paydown plan could be arranged. Unfortunately, having gone through all her figures Mrs H had less coming in than her total outgoings. Barclaycard said in light of that it couldn't set a payment plan up as this wouldn't be affordable for her.

Barclaycard sent Mrs H its final response letter in respect of her complaint about irresponsible lending. In that letter it also explained why it had been unable to set up a payment plan. Barclaycard provided Mrs H with the contact details of a debt management charity.

Mrs H was unhappy at Barclaycard's response. She said it hadn't done anything to assist her when she was experiencing financial difficulties. Mrs H made a complaint to this service.

Our investigator didn't recommend upholding Mrs H's complaint. He said Barclaycard hadn't acted unfairly in failing to set up a payment plan when there was negative disposable income. Our investigator said Barclaycard had given Mrs H details of where she could seek advice.

Mrs H disagreed with our investigator's view. She said it was a nonsense for Barclaycard to offer her a paydown plan and then decline it due to her income. Mrs H said it was unfair that Barclaycard continued to charge such high interest on her account, and it had put her in the position where she had got into debt. She said another credit provider had agreed to assist

her when she had contacted it about not being able to afford the repayments.

As the parties weren't able to reach an agreement the complaint has been passed to me.

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 seen Mrs H had also raised a complaint about irresponsible lending by Barclaycard. That issue has been dealt with separately from this complaint about Barclaycard not assisting her with a payment plan and reducing the interest it applied, so I'm not going to deal with any affordability issues of the credit card account itself in my decision.

I have listened to the September 2023 phone call between Mrs H and Barclaycard. I appreciate she found the call (which lasted around one hour and involved speaking to three different agents) frustrating. However, while this will be disappointing to her, I don't agree with Mrs H that Barclaycard has acted unfairly, and I will explain why below.

I've seen that Barclaycard suspended Mrs H's card because it was in persistent debt, and I accept that this action would protect Mrs H from continuing to incur additional debt when she was only paying the contractual monthly minimum amount. I'm also satisfied that although she was paying the monthly minimum she was doing so regularly and that this in itself isn't necessarily a sign that Mrs H wasn't able to financially manage the account. She was abiding by its terms and conditions.

The interest that is being added each month to the balance of Mrs H's account is also in line with credit card's terms and conditions. So, Barclaycard is entitled to add the interest amount as it has. I've seen that Barclaycard had offered Mrs H the opportunity to enter into paydown plans since the card's suspension. These plans set a monthly rate at which a balance will be cleared in up to four years. These paydown plans often offer lower interest rates to the consumer, but the payments are higher than the monthly minimum amount. If the payments are made each month as set by the plan, then no adverse information will be reported to the credit reference agencies about the account. However, for a paydown plan to be agreed the credit company must be satisfied that the payment rate is sustainably affordable for the consumer. This means that Barclaycard is required to look at Mrs H's income and outgoings before any paydown plan can be set up.

So, I think it was necessary for Barclaycard to take Mrs H careful through her income and other financial commitments before it could agree a paydown plan. And from the information she gave it was clear that, as she had a minus disposable figure, this meant that a paydown plan couldn't reasonably be set up.

Although Mrs H wasn't able to enter into a paydown plan then another option would possibly be for a payment plan to have been considered. A payment plan is different from a paydown plan as it is set at an affordable rate, but it may result in adverse information being reported to the credit reference agencies. This is because payments are usually below the monthly minimum amount and the account is therefore no longer being managed by the consumer in accordance with the terms and conditions. Accounts that have payment plans may still be defaulted if the amount being paid means the amount of time required to clear the balance is unreasonable. Payment plans must also still be affordable for the consumer. Whether interest is applied to the balance and at what rate will be for the credit company to decide.

Here, Mrs H was up to date in her payments, so she was managing her account, however her disclosed income and expenses showed she had insufficient money available for a

payment plan of any amount to be set up. As she hadn't missed any payments, I wouldn't expect Barclaycard to necessarily have offered her a payment break as that could have an impact on her credit file.

So, I think Barclaycard had acted fairly in refusing to set up a payment plan. It had instead provided Mrs H with information about debt management charities that would be able to assist her and suggesting she spoke to her other creditors.

As the phone call with Barclaycard ended abruptly and Mrs H was clearly upset, I also wouldn't have expected Barclaycard to have contacted her afterwards about her financial position. That wouldn't have been appropriate in the circumstances.

Mrs H says that another credit provider was more helpful than Barclaycard, but I don't know what the position was between Mrs H and that credit provider. It would be unfair to compare the actions of one business with another. I need to look at the actions of Barclaycard when reaching my decision.

For the reasons given I don't think Barclaycard has acted unfairly in not setting up a payment plan and /or reducing the interest it applied to Mrs H's account. She didn't appear to have any disposable income available from which she could regularly use to support a plan.

Barclaycard says it will discuss Mrs H's financial position further with her if she is finding it a struggle to make the monthly minimum payments.

My final decision

For the reasons set out above I'm not upholding Mrs H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 15 July 2024.

Jocelyn Griffith
Ombudsman