

The complaint

Mrs S complains that MBNA Limited closed her credit card account without her knowledge.

What happened

Mrs S held a credit card account with MBNA. In November 2022, MBNA flagged the account to be closed as it hadn't been used for more than a year. The account was closed in February 2023.

Around December 2023, Mrs S checked her account online and discovered it was closed. She later complained that the account had been closed without her knowledge. She said she wasn't warned that the account was going to close – and wasn't notified after the closure had taken place. She asked MBNA to reinstate the account.

MBNA said that when an account hasn't been used for a while, it would normally write to the customer to tell them they needed to either use the account or ask for it to remain open by a set deadline – and that the account would close if it didn't receive a response. It said it should have sent a letter to Mrs S with a deadline of 8 February 2023 before closing the account. But because the account was closed, it no longer held a copy of the letter and couldn't show that it had been sent.

MBNA offered Mrs S £50 to apologise that it couldn't show its normal process had been followed. It later offered an additional £30 because it failed to enclose a cheque with its previous letter – and because it provided a poor service on the phone. It sent Mrs S cheques for both amounts. It said it wasn't possible to reinstate the account or offer a new one under the same terms. It said if Mrs S wanted a new credit card account, she'd need to apply for it through its usual channels.

Unhappy with MBNA's response, Mrs S referred the complaint to this service. One of our Investigators looked into the complaint but didn't uphold it. They said it wasn't possible for MBNA to re-open the account. They said that although MBNA couldn't show that it followed its usual process, Mrs S didn't use the card often or depend on it for everyday purchases – so she hadn't been significantly impacted by this.

Mrs S didn't agree with the Investigator's findings. She said she depended on the card – as she sometimes used it for large balance transfers. She said having access to the card is a form of security in case her income is ever unexpectedly reduced. She also said she was planning to use the card for a balance transfer – but no longer has the option of doing so. She didn't feel MBNA's offer of compensation was enough given these circumstances. Mrs S asked for the complaint to be escalated to an Ombudsman for a final decision.

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 can appreciate why Mrs S was unhappy to discover her account had been closed –

especially as she had relied on the account in the past when her financial circumstances changed unexpectedly. Where an account hasn't been used for some time, lenders may consider them dormant and close them. This can be because accounts which aren't being used or monitored by customers are more susceptible to fraud. I've considered whether MBNA's decision to close the account was reasonable in the circumstances – and whether it followed its process correctly when doing so.

MBNA has provided evidence to show the account was last used in February 2020 – more than two years before the account was flagged to be closed. So I can understand why it decided to treat the account as dormant and start its closure procedure. Under the terms of the account, MBNA can end the agreement at any time – but should write to a customer before doing so.

Mrs S says she didn't receive any contact from MBNA to warn her that the account would be closed. MBNA says that under its normal process, it would have sent a letter in November 2022 allowing Mrs S time to use the card or get in touch if she didn't want it to be closed. MBNA says that although a letter should have been sent – it no longer holds records to show that it was. So I'm not satisfied that MBNA has shown it informed Mrs S of its decision to close the account before doing so – or that it followed its process correctly.

So I've considered what would likely have happened had MBNA written to Mrs S when it ought to have done. Mrs S hadn't used the card in some time at the point that it closed – and only used it intermittently. I also note that she didn't realise the account was closed for around ten months. As it isn't an account she used regularly or relied on for day-to-day spending, I don't find it likely that she would have used the card or responded to MBNA had she received a letter in November 2022. So while MBNA may not have correctly followed its process, I'm not persuaded the outcome would have been different had it done so.

Mrs S has asked MBNA to reopen her account – or offer a new one under the same terms. The account was closed in February 2023 – and Mrs S queried the closure around a year later. Given how much time has passed, I don't find it unreasonable that MBNA can't reopen the account or open a new one under the same terms. Lenders are required to ensure that any borrowing is affordable – and as the account hasn't been used in more than three years, it's not unreasonable that MBNA would want to carry out relevant checks through its application process before agreeing further lending. And lenders are entitled to carry out checks to ensure borrowing is still affordable for a customer even when an account is still open.

Mrs S says it's unreasonable not to reopen her account – as she relies on the security it provides. She says she planned to use the card for a balance transfer – but because the account is closed she won't be able to take advantage of the beneficial interest rate. While I sympathise with Mrs S – and appreciate that the card has been beneficial to her – I'm not persuaded that MBNA should bypass its normal application process. If Mrs S applies for a new account, I'd expect MBNA to treat the application fairly in line with its lending criteria.

But I do agree that Mrs S received a poor service here. It would have come as a shock to her to discover her account had been closed without her knowledge. MBNA also failed to send her its compensation award following its investigation into the complaint – and she was kept on hold for a long time when she called to enquire about opening a new account. So I'm satisfied that Mrs S has been inconvenienced and frustrated by MBNA's handling of the matter. I think MBNA's total offer of £80 is a fair reflection of the impact of its errors – so I don't require it to do anything further.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 9 July 2024.

Stephen Billings
Ombudsman