

The complaint

Miss D complains that Barclays Bank UK PLC trading as Barclaycard has unfairly handled her credit card account while she has been experiencing financial difficulties.

What happened

Miss D opened a credit card account with Barclaycard in March 2000. Unfortunately, Miss D experienced financial difficulties in or around 2017 and struggled to meet all her liabilities. This resulted in her making a complaint to Barclays at that time about her current account and overdraft. Miss D says she was disappointed to later learn that Barclays hadn't also looked at her credit card account as it had had information about her financial circumstances.

Miss D continued to make regular minimum contractual monthly payments on her credit card balance, however as she was paying off more in interest than the principle amount, her account was considered to be in persistent debt. If an account remains in persistent debt for 36 months, then Barclaycard may suspend the account. Here, Barclaycard sent Miss D an email in the 34th month (January 2020) requesting she pay £461 in order to bring it out of persistent debt before 36 months had passed. Miss D says that amount was unaffordable for her. Miss D's credit card account was then later suspended.

Miss D says that although she made contact with Barclaycard about her financial circumstances it didn't treat her with forbearance, nor did it provide her with suitable options which would allow her to clear the balance as the added monthly interest meant her payments weren't really having any impact on the balance. Miss D said she was offered an interest rate reduction of 3% but this was then rescinded. She was further frustrated to receive a letter in 2022 informing her the card may be suspended when that had already happened some time before.

Miss D complained to Barclaycard about its handling of her credit card account. Barclaycard said that at the time she had first contacted Barclays about her bank account and overdraft, it and Barclays had been two separate entities and so details of her financial situation weren't passed on. It said that as she had been managing her credit card at that time it wouldn't have made contact independently.

Barclaycard said that in respect of the 3% interest offer, this would have been applied if she had entered into a payment plan, but that Miss D had decided against this due to the potential impact on her credit file. It said this option was still available should she wish to review her decision. It apologised for sending the letter about suspending the card as it acknowledged the card was already suspended.

Miss D was unhappy at Barclaycard's response and complained to this service. Our investigator didn't recommend her complaint should be upheld. He said that Barclaycard had offered Miss D solutions which she had not taken up. And he said for the interest rate to be reduced or not added, then this would mean Barclaycard agreeing to come outside the terms and conditions on the account. Our investigator said Barclaycard would do so if financial difficulties were shown but this would mean those difficulties also being reported to the credit

reference agencies which was something Miss D didn't want to happen.

Our investigator said he thought Barclaycard had acted fairly although he acknowledged there was an error in its final response letter to Miss D where it had said it was upholding Miss D's complaint. He said this uphold only referred to the error in sending out the letter about the card being suspended and not to the rest of her complaint.

Miss D disagreed with the view of our investigator. She said that Barclaycard's final response letter to her complaint had clearly said it was allowing it and the investigator's view, that Barclaycard was only agreeing the part about the letter referring to the card being suspended, wasn't correct. She said as Barclaycard had agreed her complaint was justified then it should have offered redress for that.

Miss D also said only recently she had been offered what she had been looking for, a paydown plan for the balance which had reduced interest and didn't impact her credit file. Miss D said this showed Barclaycard had been stuck in its position in respect of her account. As the parties weren't able to reach an agreement the complaint was passed to me. I issued a provisional decision along the following lines.

Miss D had been clear that she believed Barclaycard had treated her unfairly by the way it had continued to apply interest to her account when it was aware she was experiencing financial difficulties. She also felt strongly that since Barclaycard had upheld her complaint it should have provided a resolution for that.

Looking first at the final response letter sent from Barclaycard to Miss D, while I appreciated this would be disappointing for her, I didn't agree with how she had interpreted the contents of that letter. And I had also asked Barclaycard to confirm what it had meant when it wrote to her.

I'd seen that the first paragraph of the final response letter had explained that at the time Miss D had complained to Barclays about her current account and overdraft, Barclays and Barclaycard were separate entities. It said this had meant details of Miss D's financial circumstances weren't passed on. However, that paragraph's last line said "*After investigation I agree with your complaint*" but there was no full stop at the end. The second paragraph then went on to apologise for the letter sent in 2022 which had informed Miss D that her card might be suspended when it already had been.

Barclaycard said the last line of the first paragraph actually should have been the first line of the second, and that this was an admin error. I thought this explanation was correct because the first paragraph wasn't upholding her complaint nor did the letter go on in any of the subsequent paragraphs to uphold other areas of Miss D's complaint. So, I disagreed that Barclaycard had overall upheld Miss D's complaint about the handling of her account.

But, I thought this error was confusing and I also thought it had caused Miss D significant frustration and upset. She had based much of her complaint to this service on her belief Barclaycard had upheld her complaint in full. And I thought in light of this, it would be fair for Barclaycard to pay Miss D £75 as compensation for the distress and inconvenience the error in its final response letter had caused her. However, in respect of Barclaycard's handling of Miss D's credit card account I thought it had acted fairly and I wasn't intending to ask it to do more.

Miss D had been paying off the minimum payment each month. So, when she first encountered financial difficulties, Barclaycard would have been unaware of that as her account was being managed in line with the terms and conditions. As the months of minimum payments went on, then Miss D's account entered into persistent debt. I'd seen

that she was contacted by Barclaycard and advised about that and about the potential impact it may have of suspending her card. I'd also seen that in the 34th month of only paying the contractual minimum amount, Barclaycard had contacted her and asked if she could pay £461 which would allow her account to come off persistent debt. I understand Miss D couldn't afford that payment. And her card was later suspended which would be in line with the persistent debt process as it protects the consumer from accruing further debt. I therefore thought Barclaycard had acted in line with its processes.

Barclaycard had sent a number of emails to Miss D since then, three in 2021 (March, July and November), two in 2022 (March and August), three in 2023 (April, June and November) and one in 2024 (March) offering her a paydown plan. These plans lowered the applied interest rate and the amount set ensured that the balance was cleared over a maximum period of 48 months after which the account would be closed. Paydown plans do not impact on a consumer's credit file. However, the monthly payment is higher than the minimum payment (which for Miss D was around £150pm more) and checks on income and outgoings are undertaken to ensure the payments are affordable.

If these plans aren't affordable, then the financial difficulties process would be followed with payment plans and reduced interest but there would be an impact on a consumer's credit file because then the terms and conditions aren't being adhered to. Barclaycard has an obligation to accurately report to credit reference agencies how a consumer is managing their account.

Miss D didn't appear to have taken up any of the offers for a paydown plan to be considered and hadn't wanted to have a payment plan as that would have impacted her credit file. I thought that Barclaycard had offered her solutions which acknowledged her financial difficulties and treated her with forbearance, but she hadn't found them suitable because of her own personal circumstances regarding adverse information on her credit file.

While I appreciated Miss D's concern over her credit file, I couldn't reasonably ask Barclaycard to both waive or reduce the interest on her account and not report her management of that account to the credit reference agencies. Barclaycard had been entitled to add interest in line with the account's terms and conditions.

So, for the reasons given above. I was intending to only partially uphold Miss D's complaint. I thought the final response letter had been confusing about what part of her complaint it was upholding but that Barclaycard hadn't otherwise acted unfairly in the way it dealt with Miss D's account.

Barclaycard has agreed with my provisional decision. Miss D has said she is disappointed with it as she still feels she was not treated fairly by Barclaycard and it has offered her no assistance. She says it has offered her a further paydown plan. Miss D also expressed disappointment at the level of compensation I had requested.

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.

Neither party has sent me any new information to consider, so I have reviewed the evidence that had been provided and the conclusions that I had reached. I haven't changed my mind as to what is a fair outcome here.

I'm sorry Miss D is disappointed at the level of compensation, but this arose from an administrative error by Barclaycard in its final response letter. And while I accept it should

have been more careful and it did cause Miss D confusion as to what part of her complaint was being upheld, I also think the letter had set out that Barclaycard disagreed with many of the points she had raised. I think that £75 compensation for the distress and inconvenience caused to Miss D is fair and reasonable and I'm not asking Barclaycard to increase that amount.

I also still disagree that Barclaycard hasn't offered Miss D assistance with her account in light of her financial difficulties. It has provided the available options to her but unfortunately Miss D hasn't found these suitable. And although I appreciate her reasons for this, in particular her concern about adverse information on her credit file, I don't think it's reasonable for me to require Barclaycard to freeze or waive interest on the outstanding balance and then not report her management of the account to the credit reference agencies. This is because interest is frozen when an account is being handled using the financial difficulties process and is subject to a payment plan. A payment plan means a consumer, due to their financial circumstances, can only afford lower payments than the minimum monthly contractual amount. So, they aren't able to manage their account in accordance with its terms and conditions. When this happens, credit providers are obligated to accurately report management of credit accounts to credit reference agencies. So, if Miss D is struggling to manage her credit card account, then it would be fair and correct for Barclaycard to report that.

So, although I'm sorry to disappoint Miss D, I am only partially upholding her account.

Putting things right

I'm asking Barclaycard to pay Miss D £75 compensation for the impact on her from the error on its final response letter.

My final decision

For the reasons given above, I'm partially upholding Miss D's complaint. I'm asking Barclays Bank UK PLC trading as Barclaycard to pay Miss D £75 compensation for the distress and inconvenience caused to her by the error in its final response letter.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 11 June 2024.

Jocelyn Griffith
Ombudsman