

## **The complaint**

Mr D complains that Barclays Bank UK PLC didn't provide him with clear information about the impact of engaging a debt management company ("DMC") to assist him when he experienced financial difficulties. Mr D says that this has resulted in Barclays Bank UK PLC unfairly terminating and defaulting his bank account.

## **What happened**

Mr D has for many years held a bank account with Barclays. The bank account had an overdraft facility of £5,000. Unfortunately, Mr D suffered some health difficulties which impacted on his ability to work causing him financial problems.

In October 2022 Barclays contacted Mr D by letter because his account had been overdrawn for the past three months. It wrote again to him in March 2023 because by this time he had exceeded his overdraft limit. Barclays sent Mr D a number of letters which included leaflets about getting independent debt advice between March and July 2023.

In July 2023 Mr D contacted Barclays and explained his situation. As Mr D was a vulnerable customer his account was passed to the Specialist Support Team. Mr D told the Specialist Support Team that he had made contact with a DMC to assist him. During the call it was agreed that a 30-day breathing space hold would be applied to the account during which no charges or interest would be applied.

The agent also explained that within this breathing space period Mr D needed to work with the DMC who would then forward on his behalf an offer for a payment plan which would either be accepted or negotiated further by Barclays.

Mr D later wrote to Barclays asking that his account be suspended for a temporary period. In this letter he explained he currently had no income and had received advice from a DMC. Mr D included with this letter his financial details which showed a substantial negative balance in respect of his income and outgoings. There appears to have been a delay in Barclays receiving this letter.

In early August 2023, Barclays wrote to Mr D to say that the DMC hadn't made contact with it as expected and the breathing space period was coming to an end. Barclays then sent Mr D a termination notice for his account with effect from September 2023 due to the number of days that the account had been in collections. Mr D called the Specialist Support Team who advised him that he had until September to possibly save the account and said he may be able to take out a resolve loan to pay off the overdraft. Mr D also raised that he had written a letter which didn't appear to have been received. It was agreed he would receive £40 compensation for the inconvenience caused to him by Barclay's processes.

Mr D then rang Barclays on the effective date of his account's termination to seek a resolve loan. He was upset to learn that this was not possible as the account had already been terminated. Mr D made a complaint to Barclays about its unclear advice regarding his account. He said his intention had always been to avoid defaulting on the account and it hadn't been properly explained what the impact would be of using a DMC to assist him.

Barclays didn't uphold his complaint. It said that when Mr D had spoken with the Specialist Support Team it had been clearly set out what actions would be taken if he chose to engage a DMC and also what would happen if no payment plan was set up.

Mr D was unhappy at Barclays' response and complained to this service. Our investigator didn't recommend that his complaint should be upheld. She said she thought it was fair and reasonable for Barclays to have taken the action that it had. Our investigator said Mr D was aware his account was overdrawn which he was liable to repay and that he should have been reasonably aware of the consequences of not repaying this debt.

Mr D disagreed with our investigator's view. He said that he had made efforts to prevent the account from closing and Barclays hadn't been clear about what would happen. He said this had caused him additional distress.

As the parties were unable to reach an agreement the complaint was passed to me, and I issued a provisional decision along the following lines.

I appreciated this had been a difficult time for Mr D, and although I had provisionally reached a different view to that of the investigator, I was intending to partially uphold his complaint rather than fully do so. I explained why below.

It wasn't disputed that Mr D's current account had been overdrawn and had been for some months before he had made contact with Barclays. Under the terms and conditions of the account Barclays could request that this sum was repaid immediately, it did not do this here but did take account of Mr D's situation. I thought it had acted fairly passing Mr D's account to the Specialist Support Team. I'd seen this also meant this debt won't be sold to a third-party and the account would remain with Barclays.

I listened to the two calls Mr D made to the Specialist Team in July and August 2023. I appreciated Mr D had provided an analysis of the call log, but I found actually listening to them was helpful. I thought the two agents who had dealt with Mr D were empathetic and polite and had given him a lot of information. However, I thought there were errors in what both agents had said and that this had resulted in confusion for Mr D.

In the first call, Mr D provided a lot of detail about his circumstances which was sensitively handled by the agent. During the conversation Mr D had explained he had reached out to a DMC and the agent spoke with him about putting a breathing space hold on the account for 30-days. The purpose of the hold was for Mr D to be able to work with DMC, put forward a payment plan offer and not incur additional interest and charges on the account while this was happening. The agent explained that Mr D's account would show that he was working with a DMC.

The agent had also offered to do an income and expenses form with Mr D to set up a payment plan during the call rather than the DMC doing so, but Mr D explained that as he had no income, he wouldn't be able to make any offer.

There was discussion about the account defaulting though the agent reassured Mr D "*this was some time off*". However, having listened to this call, I couldn't reasonably say Mr D had been clear with the agent that he had wanted to avoid this if at all possible. When the impact of a default on his credit file was explained, Mr D had responded that at present "*this is the least of my worries*". So, I didn't think the agent had acted unfairly by not raising with Mr D the possibility of a resolve loan at that time. A resolve loan in effect changes the overdraft into a loan that is interest free and must be paid back monthly. However, as Mr D didn't have sufficient income to even be able to consider a payment plan then a loan would not have been a realistic option.

Mr D and the agent spoke about his working with the DMC. The agent went on to explain that the DMC would contact Barclays with an offer of a payment plan to clear the outstanding balance which would either be accepted or may be the subject of negotiation. The agent then set out that an offer needed to be in respect of all accounts held by Mr D. They then read out a formal explanatory note which said that on receipt of the payment plan offer the account would be closed and a default would be lodged. However, the agent then said that it would be the worst-case scenario for the account to default. Though they added the account would be terminated after 151 days of being in collections. I didn't think the agent was as clear as they reasonably should have been that a payment plan meant the account would be closed. This information was muddled.

However, I did think the agent had set out clearly that the account was being given a breathing space hold for 30 days during which time a payment plan offer was required. I also thought that from Mr D's answers to the agency he was going to work with the DMC to put forward such a plan.

I'd seen that it was Mr D and not the DMC that wrote to Barclays. I didn't know why Mr D, after telling Barclays that he would be working with the DMC to resolve his financial situation, didn't then do so. I also didn't know what advice the DMC provided him with though it is reasonable to have expected them to have explained about payment plans and other options.

I'd seen Mr D wrote to Barclays in July 2023, but this letter hadn't set out a payment plan. It had requested a suspension of the account for an unspecified period and asked that no interest or charges were added. This letter had explained Mr D wasn't in a financial position that he could make any payments at all as his income didn't cover his priority bills.

Mr D's account was then terminated and a default registered. Mr D contacted Barclays when he received the termination notice. I'm satisfied that during this call Mr D was given the wrong information about having a month left to resolve the matters and prevent the default. Looking at the termination notice, I thought it was clear the decision to terminate had already been made.

While I appreciated Mr D's frustration over the termination of the account and the default, I didn't think Barclays had acted unreasonably when it had taken this action. Mr D's account had an unpaid overdraft that was exceeding its limit and had been with collections for several months. Mr D had been clear that he did not have the income available to commence any repayments and had not provided any payment plans. He had been spoken to about defaults and was aware of the impact not paying the debt off would have on his credit file. I also couldn't reasonably say Barclays had given him any assurances that this action wouldn't be taken nor had he made it aware that he wanted to avoid this.

Given Mr D's financial circumstances, then I would have expected Barclays to have taken action as by terminating the account no further interest or charges could be incurred. I wouldn't have expected it to only suspend the account for a longer period as that wasn't reasonable. I'd seen that Barclays had also agreed that this debt wouldn't be sold on and

would be managed in-house.

I appreciated that believing he could apply for a loan by September 2023 to clear the overdraft and then discovering this wasn't possible would have been distressing for Mr D, but I didn't think ultimately that the position with the account would have been different. That's because Mr D hadn't been in a position where taking a loan would have been a suitable option in July 2023. And I was also unclear how he would have been able to demonstrate that the loan was sustainably affordable for him in September. So, although the

resolver loan wasn't raised correctly with Mr D by Barclays' agents I didn't think, on the evidence I'd seen, that it had been a realistic option in any event.

I also thought that Barclays hadn't acted unfairly when terminating the account since Mr D was aware he needed to provide a payment plan within 30-days from July 2023 and hadn't done so. I thought it was reasonable for Barclays to have taken action with the account given the amount of time that had passed with the overdraft being unpaid.

Having defaulted the account, Barclays had reported that to the credit reference agencies. This was an obligation that it had as a credit provider. Barclays must fairly and accurately report how a consumer has managed a credit account. I thought Barclays' recording of this default was both accurate and fair and I wasn't intending to ask it to remove that information. As set out above, Mr D had been unable to pay-off his outstanding overdraft for several months and had been unable to keep to the account's terms and conditions.

While I thought Barclays had handled Mr D's account fairly in its decision to terminate it and by the way it had undertaken to manage it going forward, I agreed with Mr D that it had nevertheless had caused him unnecessary distress and inconvenience. This was because it hadn't been clear about the termination of the account and the registering of the default which would have allowed Mr D to be prepared for that. But as set out above, I didn't think that, had this information been provided in a more transparent way, the outcome would have been different. I therefore thought that compensation of £200 was fair to reflect the impact this has had on him.

Mr D says that his bank account with Barclays had actually been in overdraft for several years while he was working. He also says that the DMC had advised him to write to Barclays and seek a suspension of his payments for six to twelve months. Mr D says the DMC informed him it would only write to Barclays if his account had been defaulted.

Barclays has agreed with my provisional view. It also says that it isn't responsible for the advice the DMC provided to Mr D. And it disagrees that a DMC only makes contact after an account has been defaulted. Barclays says it was usual for a DMC to sort out an affordable payment plan with a consumer and then approach the credit company on that consumer's behalf before the account has been terminated due to a default. Barclays says it's unaware what the DMC had been referring to by way of payments being suspended. It says this was a current account which needed to stay within the agreed limits.

### **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 reviewed the evidence and my conclusions I haven't changed my view. I appreciate Mr D may have consistently used his overdraft over the years, but he had also had an income going into the account over that time. Barclays sent him a number of letters and statements about the account and it's reasonable to consider he was aware of the growing debt.

I can't explain the advice Mr D was given by the DMC which conflicted with the advice Barclays had given during the call in July 2023. But I also can't reasonably hold Barclays responsible for that conflict. I still think the agent had been clear that Mr D needed to provide an offer of a payment plan during the 30-day breathing space that was put in place.

I think Barclays had acted fairly when it made the decision to terminate Mr D's account for the reasons set out above. Mr D wasn't in a financial position to make any payments towards

the debt for a foreseeable period and he wasn't able to manage the account as per its terms and conditions. I can't reasonably say Barclays acted unfairly by not agreeing to a six-to-twelve-month suspension in payments as this isn't something it recognises. It had offered an appropriate breathing space to Mr D.

However, I think Barclays' agent did mislead Mr D in August 2023 by saying he could prevent the account's termination by taking out a loan in place of the overdraft. And I think this caused him unnecessary distress and inconvenience when he later discovered he wasn't able to take this option. Barclays has also accepted that. However, I've seen no evidence that had this option been made known to Mr D before the account was terminated, that he would have been in a position where he could have financially afforded to take it up. I therefore think the outcome would have remained the same.

So, for the reasons set out above, I'm partially upholding Mr D's complaint.

### **Putting things right**

I'm asking Barclays Bank UK PLC to pay Mr D £200 compensation to reflect the distress and inconvenience caused by not being clear in respect of the account being terminated and a default being recorded.

### **My final decision**

As set out above, I'm partially upholding Mr D's account.

I'm asking Barclays Bank UK PLC to pay Mr D £200 compensation to reflect the distress and inconvenience caused by not being clear in respect of the account being terminated and a default being recorded.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 10 July 2024.

Jocelyn Griffith  
**Ombudsman**