

## **complaint**

Mr D complains that MBNA Limited coerced him into making additional repayments although he was on a debt management plan and then unfairly defaulted his credit card account. He wants the default removed from his credit records and compensation for his distress.

## **background**

Mr D unfortunately met financial difficulties. He entered into a debt management plan with a debt management organisation. This included token repayments towards his MBNA credit card debt. Mr D says that MBNA approached him and requested payments outside the debt management plan. Mr D then learnt from the Court (regarding a case brought against him by another creditor) that he was supposed to be distributing money proportionately to his lenders. As a result, Mr D ended the arrangement to pay an additional monthly payment to MBNA to enable him to redistribute payments evenly between his creditors. This resulted in reduced payments to MBNA and it defaulted the account. It later sold the debt and Mr D claims that the third party has recorded his credit history inaccurately.

The adjudicator thought that MBNA was entitled to request additional repayments. She could not find evidence that Mr D had been coerced into making these. But she thought that MBNA should have defaulted the account six months after it was in arrears, in line with the Information Commissioner's Office (ICO) guidance. This would have led to the default dropping off Mr D's record much sooner. She thought that the third party had made errors in Mr D's credit record, wrongly implying that Mr D was not keeping to the agreed repayment arrangement. It told Mr D that he would need to contact MBNA to amend his credit file.

MBNA responded that as it had sold Mr D's debt, it could not amend his credit record. The record of the default had already dropped off due to time. It agreed to pay £75 for his distress and inconvenience. Mr D did not think that his claim that the bank had wrongly required additional payments had been responded to. He thought that the compensation should equal the amount of extra repayments he had made to MBNA.

## **my findings**

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I can see that Mr D is seeking to properly manage his debts at a difficult time. He thinks that he has been unfairly treated by MBNA and has invested considerable effort to seek redress.

Mr D says that MBNA wrongly requested additional repayments outside the agreed debt management plan. This is an informal arrangement to repay non-priority debts. It needs to be fair to all the creditors. Lenders should be prepared to consider the debt that is owed to them in the wider context of the customer's other financial obligations and debts. It would not be reasonable or fair for a lender to take advantage of its position to press the customer for a disproportionate contribution, or one that leads to increased hardship.

The debt management organisation assessed Mr D's income available to repay his debts and correctly distributed it. MBNA took a commercial decision, in which I cannot properly interfere, that it would seek repayment over a shorter period than the plan agreed with the debt management organisation would allow. I consider that MBNA is entitled to decline to

agree the debt management plan but not to agree to it *and* request additional repayments outside it.

Mr D says that he felt coerced into agreeing these, but he did not refuse to make them and they were evidently affordable at the time. I have no doubt that he was under considerable pressure and wanted to minimise adverse information on his credit record. The adjudicator has already suggested that his concerns about the bank's tactics should be properly addressed to the regulator, the Financial Conduct Authority. But the additional payments Mr D made have reduced the balance he now owes – so I do not find I can fairly require the bank to refund them.

Mr D says that when he stopped the additional repayments, MBNA defaulted his account. I am satisfied that it was entitled to do this and that it did not make an error. However, I agree with the adjudicator that MBNA did not act in a fair and reasonable way by deferring the recording of the default on Mr D's credit file. This has now dropped off, but it caused Mr D much distress and trouble to try and get it amended. The adjudicator has already told Mr D that he must raise his concerns about the third party's recording of his credit history as a separate complaint.

This service does not seek to punish banks or to award compensation where no loss has occurred. But Mr D has taken a lot of trouble to get his credit record corrected, and MBNA's handling of the matter meant he made additional payments to it at a time when he was clearly in difficulty. The adjudicator recommended that, in recognition of the distress and inconvenience caused, MBNA pay Mr D £75. I am not satisfied that this goes far enough in the circumstances. I consider it should pay a higher amount, and I assess £200, in total, to be fair and reasonable.

### **my final decision**

My decision is that MBNA Limited should pay Mr D £200 in compensation for his inconvenience and worry.

Phillip Berechree  
**ombudsman**