

## **complaint**

Mr C complains that MBNA Limited defaulted his credit card account later than it should've done.

## **background**

Mr C told us that he got into financial difficulties in the summer of 2011, due to a period of ill health. He said that he entered into a debt management plan at the time, and he expected that his account with MBNA would default at the latest six months after this, which would've been January 2012. But he said that the account wasn't defaulted until July 2012. Mr C thought that MBNA had waited too long to apply the default.

Mr C said that this was having a significant effect on him now, because he wasn't able to get credit for an important purchase. He said that he had the same problem with a different bank, and it had just changed the default date. He wanted MBNA to do the same.

MBNA said that it had accepted that Mr C was on a debt management plan. But it didn't think that it had made a mistake over when it had recorded his default.

Our investigator didn't uphold this complaint. She said that Mr C was still making reduced payments in May 2012, when his debt management company made an offer of settlement to MBNA for around £1,500. MBNA accepted the offer, and said it wouldn't default Mr C's account if he paid before 30 June. Unfortunately there was a delay making the payment, so his account was defaulted. It now shows as partially settled.

Our investigator said that there are guidelines which say that a default may be registered once a customer is three to six months behind on payments. But they are just guidelines. And our investigator said that it looked to her as if Mr C didn't want his account defaulted at that point. He was still trying to pay off the debt. For that reason, she didn't think that MBNA should've defaulted his account earlier. Our investigator thought that in January 2012 Mr C would've been hoping to return to work, and start paying the debt back again. And she thought that later that year, when Mr C made an offer of settlement, he was still trying to avoid a default.

Mr C didn't agree with that. He said that he never got the letter of default in June 2012. And he said that he paid the fee to reduce debt and stress, he thought that this account had already been defaulted. He still thought it would've been fairer to apply the default earlier. And by not removing the default, he said that MBNA was ruining everything for him now.

Because Mr C didn't agree with our investigator, the case was passed to me for a final decision.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've reached the same overall conclusion on this case as our investigator, and for broadly the same reasons.

Mr C told us that he didn't get the default letter which was issued in July 2012. But MBNA also wrote to Mr C at the end of May 2012. In that letter, it accepted his offer of settlement, and said that he must make the payment by 30 June, or the account would be defaulted.

MBNA also said that if he did make this payment, the account wouldn't be defaulted. I think it was clear from this letter that Mr C's account had not been defaulted already. And, as both that letter and the later default letter were sent to Mr C himself, I don't think that it would be MBNA's fault if Mr C thought that this account had already defaulted.

I understand that it can be an advantage to a person in debt to have a default registered promptly, because a default that goes on a credit file earlier comes off that credit file earlier. But I don't think that this means that a bank should take action when it looks like someone is going to be able to pay off their debt. And in this case, I agree with our investigator that it is most likely that it looked to MBNA as if Mr C was hoping to pay off this debt, and not to have a default on his account. So I don't think that MBNA did anything wrong when it didn't register this default in January 2012.

I also think that MBNA had explained to Mr C the consequences of not paying the agreed settlement by the end of June 2012. So I don't think that MBNA did anything wrong when it registered a default on Mr C's credit file then.

Mr C tells us that this issue has had a severe impact on him, because he has been refused credit now. I'm very sorry to hear that. But I don't think that this is MBNA's fault. I don't think it has done anything wrong. And because of that, I don't think that MBNA has to change the date of default on Mr C's account now.

I realise how disappointing this will be for Mr C, but I don't think this complaint should be upheld.

### **my final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 13 July 2018.

Esther Absalom-Gough  
**ombudsman**