

complaint

Mr M complains that Barclays Bank Plc wrongly told him in 2008 that his credit card account was closed, leading to interest and charges being applied and his credit rating being affected. He also complains that Barclays took money from his current account without warning, to pay his credit card debt.

background

Mr M had a credit card account with Barclays, which had a debt of around £2,650 in February 2008. Mr M says that he telephoned Barclays at that time and was told that his credit card account was closed.

Mr M says that, believing his account to be closed, he moved house and took no further action. He later noticed that Barclays had taken some money out of his current account for the credit card. When he eventually enquired further, he discovered that there had been interest and late charges applied to his credit card debt.

Mr M says that he had conversations with Barclays about paying the debt, but stopped paying as he did not consider that Barclays was willing to make him a fair offer. After enquiring again at a Barclays branch, Mr M says he was again told that his credit card account was closed but that he must set up a direct debit for repayment of the debt – which he agreed to do.

In July 2012, Barclays wrote to Mr M to tell him that it had exercised its right of set off over money in his current account, to repay the balance of the credit card debt of £1,243.09. Mr M says that Barclays had previously indicated that it would be willing to accept a reduced settlement. He seeks a full refund of all charges made on the account, and compensation for the higher rate mortgage that he says he had to take as a consequence of his impaired credit file.

An adjudicator investigated the complaint. She considered that Mr M could not, reasonably, have been unaware of the substantial outstanding balance on his credit card account in February 2008 and that charges were incurred because no repayments were made to the account. In the adjudicator's view, the money later taken from Mr M's current account would have added to his awareness of the outstanding debt.

Overall, the adjudicator did not consider that the transfers Barclays had made from Mr M's current account under its right of set off were unfair in this case.

Mr M did not agree with the adjudicator's conclusions. He said, in summary:

- He has provided evidence of the call in which he was categorically told that his account was closed and he had no balance to pay.
- He did not believe that was the case – in fact, he knew it was not and that there was a debt. But as he was not being allowed to pay, and after getting Barclays to check several times during the call, there was nothing more he could do.
- He made a stand, as he was not prepared to have Barclays profit from its mistake. It is then that he stopped paying his credit card bill, as a result of being advised that his account was closed.

- When Barclays took a payment from his current account in 2008, he told it that he had been misinformed that he had no balance to pay and said he would resume payment if the charges and interest were removed from the account.
- He presumed that would be the end of the matter, and so did not tell Barclays credit card arm when he moved house again a number of times. But in December 2011 he noticed that a large payment had been taken from his current account. When he went into a branch in January 2012, he was again told that he did not have a balance as far as they were concerned.
- However, when the branch rang the credit card arm for him, he was told that he had to set up a direct debit for the debt to avoid further money being taken from his current account. He agreed that a direct debit could be set up, as he felt he had no choice.
- The problem with the credit card meant he had problems getting a mortgage. He also spoke to Barclays and got an informal agreement for a reduced settlement of £800. However, in spite of that, Barclays took the full balance of £1243.09 from his account.
- It is not good enough for Barclays to say that it no longer has records of the call in 2008 – he contacted the ombudsman service at the time, and so the records should have been kept.
- He has been caused financial loss and suffering by Barclays' mistake, and has provided evidence of the mistake. He has always paid his debts, and is entitled to compensation for what has happened.

my findings

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

Mr M agrees that he knew Barclays was wrong when he was told in February 2008, over the telephone, that he had no balance to pay on his credit card. In fact, there was a substantial debt. Mr M has evidence of a lengthy telephone call to Barclays on that date, though not of exactly what was said. However, even on Mr M's account of what was said, I am not persuaded that it was reasonable for him to conclude that there was nothing more he could do and to move home without telling the credit card arm of Barclays.

I note that when Mr M visited a branch of Barclays in 2012, he was able to get information and set up a direct debit to address the debt. I consider that, if he had taken a similar approach in February 2008, any later difficulties caused by wrong information during his initial telephone conversation could have been entirely avoided.

Mr M says that he contacted Barclays in July 2008, prompted by money being taken from his current account towards the credit card debt, to complain that he had earlier been given wrong information – and presumed that would be the end of the matter. Given that he still had the debt, and says he had resolved not to make any further payments, I am not satisfied that was a reasonable assumption for Mr M to make. Mr M says that he then moved home again several times, but did not notify the credit card arm.

The lack of payments towards the debt caused additional interest and charges to accrue. It also affected Mr M's credit history, which he says was a hindrance when he came to get a mortgage. However, given the approach Mr M had chosen to take in the matter, I do not consider that Barclays was obliged to forgo contractual interest and charges. I am also satisfied that Barclays was entitled to register credit reference information about the debt.

Whilst a lender will sometimes agree to accept a reduced payment in settlement of a debt (particular where, for example, the consumer is in financial difficulty) it does not have a general obligation to do so. Mr M says that he was considering a settlement offer of about £800 which he understood was available for acceptance for two weeks, when Barclays took the full settlement of £1,243.09 from his current account. Given that Mr M had not at that point accepted the offer, and in the light of the history of the account, I do not consider that Barclays' actions were unreasonable in the circumstances.

my final decision

My final decision is that I do not uphold this complaint.

Jane Hingston
ombudsman