

complaint

Ms X complains that Barclays Bank Plc mis-sold her three packaged bank accounts. She complains she wasn't made aware that she could have a free account instead.

background

Ms X originally opened a free account with Barclays. Barclays doesn't have detailed account records until February 1998 and by that time Ms X's account had been upgraded to a packaged Additions account. But these accounts weren't sold until May 1996 so the upgrade must have happened between those two dates – Ms X recalls the upgrade happened in 1996. The account was then changed to a packaged First Additions account in June 2005, and to a packaged Current Account Plus in February 2010. The account was changed back to a free account in May 2014.

Ms X's complaint has been assessed by one of our adjudicators. She recommended that the complaint shouldn't be upheld. Ms X disagrees and asked, as she is perfectly entitled to, that the complaint be decided by an ombudsman. As part of my assessment of this complaint I have discussed my findings by telephone with Ms X.

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 also taken into account the law, any relevant regulatory rules and good industry practice at the time each account was sold.

Ms X's main area of concern with the sale of these accounts to her was that she wasn't given a fair choice and Barclays didn't make it clear enough to her that she could have a free account instead of paying a monthly fee for a packaged account. She says that she considered herself to be financially vulnerable and spent most of the time she had the accounts living off credit. She says that having the packaged accounts meant that she went deeper into debt.

I've looked carefully at the information that Barclays has given us about Ms X's financial situation, particularly around each time her account changed. It seems that around the time of the first upgrade Ms X was using her overdraft regularly but with a fairly modest overdraft limit. By the next change in 2005, Ms X was now using her overdraft most of the time, and her overdraft balance had also increased substantially. And this usage continued at the time of the next change in 2010 – though her overdraft balance had seen another large increase.

I don't know for certain how each of the accounts were presented to Ms X, and whether Barclays did enough to make Ms X aware of the full range of accounts it offered, including free accounts. Certainly at the time of the initial upgrade I'd have thought that Ms X was well aware that the bank offered free accounts – after all that was the type of account that she had at the time. And I've not seen anything that makes me think Barclays mis-led Ms X by telling her that she had to take a packaged account.

At the times of the following two upgrades I accept that it is possible that Ms X's awareness of free accounts might have decreased – she'd held a packaged account for almost ten years by the time of the upgrade in 2005. But as I will explain later, even if in the strictest sense of the requirement Barclays didn't talk about free accounts with Ms X, I can't see that

any failing here was deliberate or intended to deceive Ms X – in other words I don't think that Barclays' actions, in the specific circumstances of this complaint, denied Ms X a fair choice.

At the time Ms X took the Additions account, sometime between 1996 and 1998, Barclays charged its customers an overdraft usage fee of £5 per month if they used their overdraft for more than two days. And customers were charged interest on the overdrawn balance. But holders of the Additions account didn't need to pay the overdraft usage fee and didn't pay any interest on the first £100 of their overdraft. Since the monthly fee for the Additions account was also £5 per month, it seems that Ms X, given her circumstances at the time, would have been better off by having the Additions account.

Over the years, the benefits of the Additions account increased, and by 2005 the monthly cost had risen to £9.50. But around that time Barclays introduced a new packaged account called First Additions. This account had fewer benefits - but importantly in Ms X's situation still offered £100 of her overdraft free and a preferential interest rate on the rest (by now Barclays no longer charged the monthly usage fee). And the monthly cost of this account was less than half the cost of the Additions account – it was £4 per month. So again, given her overdraft usage, it seems Ms X would have been better off having this account too.

Again the cost of Ms X's packaged account increased over the years, and by 2010 the First Additions account cost £6.50 per month. At that time Ms X's account was changed to a Current Account Plus – at a monthly cost of £5 per month. And this account offered overdraft benefits too - £300 interest free and a preferential rate on the rest. So once more Ms X saved money on her overdraft by having this account. And as with the other two packaged accounts Ms X took, this account was the cheapest packaged account that Barclays offered at the time.

Ms X changed her account to a free account in 2014. At that time she'd received a sum of money as compensation for the mis-selling of another financial product. And that money allowed her to largely remove her reliance on her overdraft. I appreciate that Ms X says it was a surprise when Barclays told her she could have a free account instead – but I think that was the exact time when Ms X would have stopped benefitting from having a packaged account, and so it made sense for her to return to a free account. It looks like this was something Barclays pointed out to her.

I hope that this decision, and the conversation I've had with Ms X have reassured her that she hasn't lost out by having the three packaged accounts – it seems they were the right accounts for her to take at those times bearing in mind her financial situation.

my final decision

For the reasons given above, I don't uphold the complaint or make any award against Barclays Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms X to accept or reject my decision before 11 April 2016.

Paul Reilly
ombudsman