

complaint

Ms T complains that Barclays Bank PLC applied a default to her credit file when she understood it would not do so. She also complains that the bank sent her account to an external debt collection agency when she had agreed a repayment arrangement with it, and about poor customer service.

background

Ms T experienced financial difficulties in September 2011 and contacted Barclays to ask whether it would agree to suspend interest on her overdraft. It told her that it would only suspend interest if her account was closed, and then defaulted. It explained that the effect of this would be an adverse mark on her credit rating for six years.

Ms T then wrote to Barclays at the end of January 2012 and sent it details of her income and expenditure and offered to pay it £72 per month. She also asked for interest to be frozen and her account to be frozen. When she heard nothing further, she wrote to the bank again and repeated that she wanted to enter into an interest free repayment agreement.

Barclays then sent her a termination notice letter on 20 February 2012. At that time Ms T had exceeded her overdraft limit by almost £20. The letter gave Ms T 14 days to repay her overdraft, failing which the bank would register her account with the credit reference agencies, which would affect her ability to obtain credit. The letter also suggested that she seek advice from a Citizens Advice Bureau or a solicitor.

When Ms T received the termination notice, she was upset that her previous correspondence had been ignored, and she phoned the bank on 22 February 2012 to complain. Barclays explained that the termination notice was its response to her repayment offer. Ms T explained that she did not have the money to pay the whole overdraft balance. Barclays informed her that it could stop interest on her account if it closed the account and put her on a debt management plan. It also told her that her credit rating would be affected, and that default was the inevitable consequence of entering into a debt management plan. It went on to explain that by entering into a repayment plan, she would get her accounts on track so she could build up her credit rating again over the forthcoming years. Ms T agreed to this course of action, and Barclays said that her account would be closed in about a month.

A few days later, Ms T spoke to the bank again and agreed to enter into a debt repayment plan on the understanding that her account would be closed and interest would be suspended. She was told that she would be sent confirmation of the repayment arrangement, but did not receive this, and in September 2012 she had to write to the bank to chase this up. She also complained to the bank when she noticed a default registered on her credit file, when she could not find out her overdraft balance as she was no longer in receipt of statements following closure of her account, and when an external debt agency was instructed. She later complained that she did not receive phone call transcripts which she had requested from the bank, and when she noticed a trace enquiry on her credit file.

The adjudicator concluded that Barclays' offer to pay Ms T £75 compensation for distress and inconvenience was fair and reasonable. She noted that Barclays had previously paid Ms T £100 compensation in February 2012, as it had not acknowledged her letters and provided poor customer service. She was satisfied that Barclays had informed Ms T, in its phone calls in September 2011 and February 2012, that it could only stop applying interest if

the account was closed and defaulted which would affect her credit rating. She noted that Ms T's overdraft was repayable on demand and that Ms T had told the bank that she was not able to repay it. She also said that when a payment arrangement was agreed, it did not prevent a bank registering a default on the account, so she was satisfied that Barclays had not acted incorrectly in registering the default. She considered that £75 was fair compensation for Ms T's time and trouble caused by Barclays having passed Ms T's account to an external debt collection agency.

Ms T disagreed and responded to say, in summary, that:-

1. She was told that the termination letter had been sent in error.
2. The wording of the termination letter was upsetting.
3. The bank had not told her that her credit rating would be affected by setting up a repayment plan.
4. The bank told her to disregard the termination letter.
5. If she had been told that a default would be registered, her father would have lent her money to repay the debt.
6. No account had been taken of the bank's error in passing the account to an external debt collection agency.
7. She had not received the phone call transcripts that she had requested.
8. Upon receipt of the transcripts in June 2013, she noted that an inaccurate phone number had been quoted, and said that the actual recording should be requested as the rest of the transcript could contain inaccuracies.
9. The transcripts provided did not refer to her making a decision based on the bank providing information that she would be put into default.

my findings

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

It is clear that Ms T has very strong feelings about Barclays' actions. In complaints of this type, the role of this service is to ensure that a customer affected by an error by a financial institution is put back into the position they would have been in had that error not been made. We are not a regulator and have no power to fine or punish a financial institution for any errors made, or to make awards of compensation which are intended to be punitive. We can only consider a complaint individually on its own merits, and award what we consider to be fair and reasonable compensation for any distress and inconvenience caused directly by an error.

Ms T has raised a number of issues about Barclays' actions which she would like this service to answer. It is, however, for me to decide what I consider to be the relevant issues, in order to resolve the complaint in line with my statutory duties. So, while I have considered

all that Ms T has said, I do not necessarily need to comment individually on all of the issues she has raised.

I will however respond below to each of Ms T's points set out above in response to the adjudicator's recommendation. I have included more detailed background information above than I would usually provide, as this includes references to the two telephone conversations in September 2011 and February 2012, the transcripts of which I have carefully read. My comments on the numbered points are:-

1. I can see that the bank apologised for the wording of the termination letter, but it did not say that it was sent in error.
2. I can see that the bank has apologised to Ms T as she found the wording upsetting.
3. I consider that it is clear from the call transcripts that the effects on Ms T's credit rating were explained by the bank. I notice in particular that in the September call, this was repeated twice.
4. I can see from the February call transcript that Ms T was told to disregard other system generated correspondence, but I cannot see that she was told to disregard the termination letter.
5. I can see from both the transcripts that Ms T was very clear in explaining that she was in financial difficulties. In the February call, Ms T said that she did not have the money to pay the whole overdraft. Even after the implications of the closure of her account were explained to her, Ms T did not mention that her father could lend her the money to pay off the whole balance.
6. The bank has offered £75 compensation for the distress and inconvenience suffered by Ms T as a result of the account being passed to an external debt agency.
7. I can see that the bank should have sent Ms T the transcripts which she had requested earlier than it did. But I note that Ms T has now been sent the only transcripts which the bank still has.
8. I am not persuaded that the actual phone recordings need to be obtained.
9. Whilst the transcript for the call in which Ms T set up her debt repayment agreement has not been provided, I am satisfied that Barclays clearly explained the effects of entering into a debt repayment agreement in her previous calls with it. In the call on 22 February 2012, Ms T also indicated her willingness to proceed with the arrangement immediately after being told about the ramifications.

I am satisfied that the terms of Ms T's overdraft agreement in 2011 said that her overdraft was repayable on demand, and that the bank did not have to give her advance notice to repay it, although it did. I am also satisfied that Barclays did not act incorrectly in sending Ms T a termination notice when she exceeded her overdraft limit.

I am also satisfied that in her calls with Barclays in September 2011 and February 2012, Ms T was told that by entering into an interest free arrangement, her account would be closed and defaulted, and her credit rating would be affected for six years. I am therefore not persuaded that Barclays acted incorrectly in registering the default.

I can see that Ms T has experienced poor customer service from the bank. It has already paid Ms T £100 compensation for not responding to her correspondence in January 2012 and February 2012. It has now offered her £75 compensation because it sent her account to an external debt collection agency. But, I can also see that Ms T was experiencing difficulty in trying to ascertain her overdraft balance as she was no longer in receipt of bank statements following closure of her account. And I can see that the bank delayed in sending her phone call transcripts, and confirmation of her debt repayment arrangement. So, I consider that a total compensation payment of £125 would be appropriate, rather than the £75 compensation previously recommended.

I also note that Ms T noticed a trace enquiry on her credit file. Barclays said that it would be happy to remove this from Ms T's credit file.

Ms T has also provided this service with an extract from her credit file. It shows that there is still a balance owing on her account after she had settled it, which is not accurate. If an account balance is still showing as owing to Barclays on Ms T's credit file, then Barclays should correct the credit file and show it as settled.

It is also open to Ms T to send a Notice of Correction to the Credit Reference Agencies to confirm that she has now repaid the debt, and that her credit file should show the debt as settled.

my final decision

My decision is that I uphold this complaint in part. In full and final settlement of it, I order Barclays Bank Plc to:-

1. Pay to (not credit) Ms T £125 compensation for distress and inconvenience;
2. Correct the credit files and show the debt as settled if an account balance is still showing as owing to Barclays on Ms T's credit files at the credit reference agencies; and
3. Remove the reference to a trace enquiry from Ms T's credit files, if it has not done so already.

Roslyn Rawson
ombudsman