

The complaint

Mr E complains that Lloyds Bank PLC, trading as MBNA charged him interest on his credit card account and subsequently sent him a default notice.

What happened

In January and February 2020, Mr E made two zero interest balance transfers from his MBNA credit card account. The zero interest promotion was due to expire in April 2021. Due to the covid pandemic, he unexpectedly fell behind with his payments. As a result, he had not paid off the balance when the promotion expired, and so interest began to be charged. He complained that this was a rip-off, and stopped making payments. In December 2022 MBNA served him with a default notice.

Mr E complained to MBNA. MBNA said that the interest had been correctly charged, in line with the account's terms and conditions. It said it had had to serve him a default notice because he had been in arrears for some time. It paid him £40 for some customer service issues, including not calling him back as promised. But Mr E was dissatisfied with that response, and so he brought this complaint to our service. He maintained that he would have paid off the balance in time but for covid.

MBNA told us that it had given Mr E a three-month payment holiday in 2020, when he had first fallen into arrears, because of covid. But when he had fallen behind on his minimum payments again in 2021 and 2022, it had offered to suspend interest if he agreed to a payment plan, but he had not co-operated. MBNA said it had therefore had no choice but to charge interest, and then to serve a default notice.

Our investigator did not uphold this complaint. She accepted the explanation given by MBNA. Mr E asked for an ombudsman to review his case. (That was five months ago, so I would like to apologise to both parties for how long it has taken for this case to be assigned to an ombudsman.)

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I do not uphold it. I will explain why.

MBNA says that in May 2020 it gave Mr E a three month payment holiday. I have reviewed his bank statements, and these confirm that no minimum payment was required in May and June 2020, but one was required in July. However, the minimum payment which was due in April was not paid and was waived in May, so I think the three month payment holiday was made retrospective to April, and so it covered April, May and June 2020. So I am satisfied that when the pandemic started, MBNA treated Mr E positively and sympathetically, as required by FCA regulations.

After that, Mr E resumed making his payments as normal, until March 2021. There was then

a late payment, but as this was made a week after it was due this does not seem to have affected anything. Then the zero interest promotional rate ended on 19 April 2021. After that, interest began to be charged on the account balance, which is what was supposed to happen. A reminder letter was sent to Mr E on 29 March, telling him that the zero interest rate was coming to an end. I am satisfied that MBNA acted properly with respect to this.

In some of the months of 2021, Mr E made his minimum payments late, and MBNA sent text messages to his phone about this. The account went into collections a couple of times, but then came out of collections again when he brought his account up to date.

In 2022 Mr E began to fall behind on his minimum payments again, starting in April. His monthly statements have warnings on them to the effect that missing minimum payments can affect his credit file. MBNA's system notes show that it was also sending him text messages about this. MBNA's collections notes say that in May 2022 Mr E called to discuss his account, and said that his business was picking up and that he was not in financial difficulty. He paid his arrears, which at that time were only about £16. This was treated as a one-month payment plan, so that it would not show up as arrears on his credit file. I think that was a positive and sympathetic response by MBNA, and there was no reason for it to do more.

Then on 4 July 2022 Mr E complained about the interest rate, and said he would not make any more payments towards his account until the interest was frozen. There was another call in September in which the call handler offered to put a payment plan in place, but Mr E ended the call. So realistically there was nothing that MBNA could do to help him, as he was no longer co-operating. I cannot say that MBNA had to stop charging interest or give him another payment holiday. And I have seen no evidence that the interest was improperly charged or that it was miscalculated.

Indeed, Mr E's statements show that he made purchases with his credit card after the zero interest rate had expired, so he was incurring additional interest on these purchases as well as on the balance transfers. This was explained to him in a call in November, when the call handler again explained that interest could not be frozen unless a repayment plan was agreed. But Mr E was not willing to go through his income and expenditure to work out a budget for a repayment plan, so nothing came of that call either.

On 1 December MBNA wrote to Mr E to remind him that his account was in arrears. No payments being received, MBNA sent him a default notice on 20 December, which it was entitled and indeed supposed to do.

For all of these reasons, I am not persuaded that MBNA acted unreasonably or that it failed to be supportive during the covid pandemic.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 11 September 2023.

Richard Wood
Ombudsman