

The complaint

Mr R complains that Barclays Bank UK PLC failed to register a default in respect of his account at the appropriate time and has refused to backdate it.

What happened

In October 2020 Mr R made a payment from his account which put it into an unarranged overdraft. The account continued to be overdrawn for over six months but Barclays did not serve a notice or put the account into default. Rather it continued to record the account as being overdrawn. I understand that Mr R has repaid the overdraft but in light of his circumstances he believes that recording the default on his credit record from when it occurred would be in his best interests. As this would mean it would drop off his credit file in 2026.

Barclays indicated that it supported Mr R's complaint. It should have considered a termination notice when his account had been in debit for six months. As it never issued such a notice, it was not able to amend Mr R's credit file from arrears to a default, and backdate the default. It said that on information from its Credit Reference Team, the impact of the arrears will diminish significantly on an open account, and may not have the impact in 2026 that Mr R expects.

On referral to the Financial Ombudsman Service, our Investigator said that, in accordance with industry guidelines, particularly those published by the Information Commissioner's Office (ICO), Barclays should have registered a default by six months after the account went overdrawn. So he said that Barclays should register the default and backdate it to April 2021. He further said that Barclays should pay £50 to Mr R for the trouble and upset caused to him.

Barclays said it was unable to register a default in that way as it needed to have served a termination notice to give Mr R the opportunity to repay any arrears. It believed the default notice would actually cause detriment to his credit file, rather than the adverse data that has been applied.

Mr R indicated that he still wanted the default applied in light of his particular circumstances. He pointed out that another creditor had backdated a default without any problems.

Barclays nevertheless asked for an Ombudsman's decision. So the matter has been passed to me for further consideration.

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.

Firstly, on the question of whether Barclays should have allowed the account to become overdrawn in the first place, I don't think this was unreasonable. It wasn't overdrawn by a great deal and I think it would have been reasonable to see whether Mr R would repay it

within six months.

I understand Barclays' concern is that it must report factual information to the credit reference agencies, and that it wouldn't be doing that if it registers a default without having sent a termination notice first. It is generally required to report information in a fair, timely and accurate manner.

However Barclays has already admitted that it is in breach of that duty. Under the "*Principles for the Reporting of Arrears, Arrangements and Defaults*" published by the ICO, it should have issued a termination notice and registered a default once the account was six months in arrears. And it upheld Mr R's complaint in that respect. I understand its point that it does not think that it would be in Mr R's best interests for it to register a default. But if Mr R wants a default registered and Barclays clearly should have done that, I don't see why it can't manually register a default and set the date of that default as April 2021. I think that would be accurate reporting.

I further don't see that there is any bar to Barclays backdating the default. While I accept that that might not be its normal procedure, I think in the circumstances of this case it should register the default in that way. This is in line with our approach in other such cases.

I should emphasise to Mr R that I don't have any details of his credit history. So I can't say whether Barclays registering the default in the way suggested would be a better result for him than leaving matters as they are.

Barclays should further pay Mr R £50 compensation for the trouble and upset caused to him.

Putting things right

Barclays should register a default against Mr R's credit file, backdated to six months after the date the account went overdrawn in October 2020.

Barclays should further pay Mr R £50.

My final decision

I uphold the complaint and require Barclays Bank UK PLC to provide the redress set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 15 January 2024.

Ray Lawley
Ombudsman