

The complaint

Ms D complains about issues connected with her two credit card accounts with MBNA Limited.

What happened

Ms D had two MBNA credit card accounts. When she got into financial difficulties as a result of the covid pandemic, she entered into payment arrangements on both cards. When those arrangements came to an end, her original payments were resumed (by direct debit) without advance warning. Interest began to be charged again on one of those accounts (but not on the other account). She found the resulting increase in her monthly payments to be unaffordable. In December 2022 she complained to our service about each of those matters.

MBNA asked for time to investigate that complaint, since it said it had not received that complaint before. It issued its final response letter in April 2023, in which it said that it had told Ms D in 2021 that it would only suspend interest on her accounts temporarily, and that the failure to resume charging interest on one of the accounts at the end of her arrangement to pay had been due to a banking error. Nevertheless, MBNA said it would not resume charging interest on that account.

That letter also dealt with some other issues: MBNA had closed both of her accounts without telling her, and when she had written to MBNA about that in June and September 2022, MBNA had not replied to her letters. MBNA apologised for those issues and offered her £50. But it said it had had to close her accounts because she could no longer afford them. It asked her to contact its Financial Assistance Team about her ongoing financial troubles.

As Ms D did not accept MBNA's offer, one of our investigators considered the above complaint issues. She upheld this complaint in part. She thought that £50 was not enough compensation for failing to tell Ms D that MBNA was closing her accounts and for not responding to her letters, and she recommended that the compensation be increased to £200. But she did not uphold the rest of Ms D's complaint. She said the bank had been entitled to resume charging interest on both accounts. And she said that if Ms D didn't wish to speak to MBNA on the phone, then she should fill in an income and expenditure form instead.

MBNA agreed to pay Ms D £200, if Ms D accepted the investigator's decision.

But Ms D was not satisfied with that decision. She argued that if MBNA had told her it was going to close her accounts, she could have negotiated with it and perhaps changed its mind. (And she also raised some further points, but I have set out in another decision the reasons why I think those points do not fall within the jurisdiction of the Financial Ombudsman Service.)

Ms D asked for an ombudsman to review her case.

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.

It is not in dispute that MBNA failed to notify Ms D that it was closing her accounts, and failed to respond to her letters about that. But before I decide what is fair compensation for that, I also need to consider the other complaint points I have described above.

The arrangements agreed between MBNA and Ms D was temporary, and I have no reason to think otherwise, so it follows that MBNA was entitled to resume charging interest on both accounts when those arrangements came to an end, since no new arrangement had been agreed. That interest was disclosed in her monthly statements, so I think that was enough to notify her. So I don't uphold that complaint point.

MBNA has a duty to lend responsibly, which means that once it realised that Ms D could no longer afford the accounts, it closed them, in order to stop her borrowing more. That was a reasonable decision for it to take. And although MBNA should have written to her to tell her what it had done, if it had done that, that wouldn't have been an opportunity for her to talk the bank out of it. The decision had already been made. So the failure to write to her at the time, or to respond to her letters, did not affect the outcome – those accounts were always going to be closed.

Taking all of that into account, I think that £200 is fair compensation for the bank's admitted errors, and I do not propose to increase it.

Recommendation

No good can come of Ms D not engaging with MBNA about her outstanding debt. It is imperative that she fills in an income and expenditure form right away (if she hasn't already), and then speak with MBNA to agree a repayment plan (again, if she hasn't already). Otherwise, the impact on her credit file will only get worse. So I would encourage her to do that.

My final decision

My decision is that I uphold this complaint in part. I order MBNA Limited to pay Ms D £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms D to accept or reject my decision before 29 February 2024.

Richard Wood
Ombudsman