

The complaint

Mr M complains that MBNA Limited (MBNA) unfairly defaulted and terminated his account telling him it might also assign the account to a third party. He is unhappy with the resolution MBNA offered of backdating his default to when he was 3 months in arrears. He would like his account reinstated and to continue to make payments

What happened

The details of this complaint are well known to both parties so I won't repeat them again here. Instead, I will focus on giving the reasons for my decision.

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 have reached the following conclusions:-

- I am aware that since receiving our investigator's view Mr M has raised new issues with MBNA which are now being considered as a separate complaint. As such I need to make it clear that in this decision I can only consider Mr M's complaint as summarised above.
- I appreciate Mr M's frustration, he feels MBNA's actions are unfair as he was making payments under an agreed repayment plan. Businesses should allow some flexibility with occasional missed payments unless it believes doing so will cause financial difficulties. So, I have to consider if MBNA's actions were fair.
- I can see from Mr M's account notes that MBNA were aware of his financial problems from 2020 and from that time until 2023 allowed him to make token payments of varying amounts to his account. His account was in arrears on and off over 2 years although at times he had a low balance and/or no arrears. MBNA has told us those factors combined with Mr M's desire not to have the account defaulted led to the delay in defaulting and closing the account. I do think MBNA tried to support Mr M during this time
- More recently MBNA agreed to several repayment plans between September 2022 and July 2023 despite this the account was 3 months in arrears by March 2022. I think looking at the overall account history including several missed payments from February 2022 that it wasn't unreasonable of MBNA to conclude that defaulting and closing his account was reasonable rather than allowing Mr M to continue to make payments. Based on all I have seen I can't reasonably ask MBNA to allow Mr M to continue to make payments to his account as he would like
- In terms of the default, businesses can reasonably issue defaults when an account is three months in arrears and should do so when an account is six months in arrears. Whilst this is recorded on credit files it does help customers as, at this point ,all

interest and charges are stopped on accounts. MBNA has offered to bring forward the default date on Mr M's account to April 2022 when his account was 3 months in arrears rather than the current reported date of September 2023. This will help Mr M as the default will stop being reported on his credit file much sooner

- Finally, whilst I appreciate that Mr M isn't happy that his account maybe passed to a third-party, provision to do so is made under the agreement it signed . So, I can't reasonably ask MNBMA not to do this.

My final decision

My final decision is that MBNA has made a fair offer.

In full and final settlement of this complaint MBNA Limited should change the date of Mr M's default to April 2022.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 May 2024.

Bridget Makins
Ombudsman