

## **The complaint**

A company, which I'll refer to as S, complains that Barclays Bank Plc (Barclays) delayed crediting to its account payments they'd collected on its behalf.

In bringing this complaint S is represented by its director who I'll refer to as Ms G.

## **What happened**

The background to this complaint is well known to the parties so, I won't repeat it in detail.

Briefly:

- In line with an agreement (the Agreement) that S entered into with Barclays in December 2022, Barclays agreed to provide merchant acquiring services to S.
- In January 2023, Barclays were unable to collect S's payment for such services because Ms G had cancelled S's direct debit mandate. This in turn led to an outstanding debt on S's account (the Account) of £12.85.
- Towards the end of January 2023, S had expected to receive payments from Barclays totalling £7,711.10. And so, when they weren't received, on 26 January 2023 Ms G contacted Barclays to find out the reasons.
- Barclays told Ms G that the funds had been placed on hold because of the position on S's account resulting from the cancelled direct debit.
- According to Barclays, Ms G seemed unaware she needed to pay them separately from her card machine provider. But in any case, the necessary rectification of the Account took place following the conversation between them.
- On 12 February 2023 S took out a loan of approximately £6,000 (the Loan). And on 15 February, Barclays received another direct debit mandate indicating payments were to be directed towards the Loan. A day later, on 16 February, Ms G called Barclays again to enquire why S hadn't been sent its funds. Barclays told her the funds were still on hold.
- Further correspondence between Ms G and Barclays then followed. In particular between 20 - 27 February 2023 during which Barclays gave Ms G incorrect information regarding how and when the funds due to S would be released.
- Barclays said Ms G wanted the funds split between the two accounts belonging to S. In other words, she wanted a payment to be made towards the Loan and the rest transferred to the Account. In error Barclays told Ms G this could be done. Whereas,

the actual position, according to the bank, was that it would only ever have released the funds to the Account as it was the only one registered for receiving such funds.

- On 28 February 2023 the full amount referred to above that was due to S was released to S.
- Ms G was unhappy about the delay and complained to Barclays.
- In their response, Barclays told Ms G that in view of the debit balance on the Account in January 2023, they were entitled under the terms and conditions of the Agreement to put a hold on the release of funds due to S. But Barclays acknowledged there were delays releasing the funds which they attributed to human error. And they also acknowledged they misadvised Ms G in February 2023 about the way in which payments could be returned to S.
- In light of their errors which Barclays acknowledged resulted in Ms G becoming frustrated, they credited S's account with £250 by way of compensation.

Ms G didn't think Barclays had done enough to put things right. In particular, she said the bank's delay meant she didn't have enough money to pay S's employees and settle other expenses. She said it was against that background and in order to be able to meet S's obligations, she took out the Loan at high rates of interest. She didn't think the £250 compensation took that into account.

Since the complaint remained unresolved, Ms G referred it to this service to look into. Our investigator acknowledged Barclays did make errors. But he believed the compensation paid to S fairly compensated it for those errors.

Ms G didn't agree with the investigator's conclusions and so, her case has been passed to me to decide. She said she was also unhappy that Barclays credited the £250 compensation to the Account when she'd stopped using Barclays' merchant acquiring service and intended cancelling the Agreement.

### **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 agree with the investigator's conclusions and for broadly the same reasons. I'll explain why.

To begin with, I've thought about whether initially Barclays did anything wrong when in January 2023, they took the decision to withhold funds that were due for transfer to S. Under clause 12.4 of the Agreement, in circumstances where S has an outstanding liability to Barclays, the bank has the right to hold on to any amounts due to be paid to S until such time as they were satisfied S would pay them. After that the bank would pay the relevant amount over to S.

It's worth mentioning too that Clause 14 of the Agreement which deals with direct debit says – in summary:

*You must maintain the direct debit instructions throughout the term of this agreement and, if we ask you for a further 18 months from the date this agreement ends”.*

In January 2023, not only did S, owe Barclays £12.85 arising from the cancellation of the direct debit, it was also in breach of clause 14, albeit I accept the cancellation seemed to have been done as a result of a misunderstanding on Ms G's part. However, regarding the bank's initial decision to decline releasing the funds in January 2023, given these events, I am not persuaded Barclays did anything wrong.

That being said, Barclays have acknowledged that when it came to the release of those funds, they made errors. In particular, they delayed doing so and provided incorrect advice to Ms G regarding the manner in which such funds could be returned.

However, as already noted, Barclays paid compensation for their errors. So, next I've thought about whether the £250 credit to the Account, represent fair compensation in the circumstances of this case.

The main reason Ms G has given for the compensation falling short of what's reasonable, is because she doesn't think it properly accounts for the need to take out the Loan. She argues the Loan was only necessary because of the bank's delay and so, this avoidable borrowing represents the real impact on S.

S's funds were released to it on 28 February 2023. But I note Barclays' acknowledgement that on 26 January 2023 following their conversation with Ms G there were no obstacles preventing them from releasing the funds to S. Indeed, on that date - 26 January, Barclays' internal note said of the Account: "account *up straight*". In her testimony to us, Ms G said much the same thing; that she was told that the Account was "up to date". Furthermore, she said Barclays also told her that S would receive the payment the following day.

Given the funds weren't released until a month later, on 28 February, there was clearly delay which of course, the bank does not dispute.

The Loan was taken out on 12 February 2023. Delays that occurred after that date – as indeed there were towards the end of February would not have factored in S's decision making regarding the Loan. So, I've not borne them in mind when considering Ms G's submissions regarding impact.

What I have to decide is whether reasonably the delay between 26 January and 12 February caused S to take out the Loan and therefore, Barclays should assume responsibility for the burden now being placed on S arising from it.

Ms G has explained the delay in releasing the funds meant staff wages and other expenses couldn't be met and so the Loan became necessary. In the circumstances, I can understand why Ms G would have wished to explore ways that might help to mitigate S's position – including her consideration of the Loan.

But I'm not persuaded it was reasonable for Ms G to have applied for the Loan on 12 February without any obvious further recourse to Barclays.

I've already noted Ms G's testimony where she said on 26 January Barclays told her S would receive payment the next day. Ms G applied for the Loan over two weeks later. And only spoke to the bank on 16 February the day the funds were released .

Ms G said she was busy running S during that period. Although she also said every time she called Barclays she spent hours on the phone. But she does not say calls were made to Barclays between 26 January and 12 February 2023. In any event, the evidence from

Barclays shows that after 26 January, the next conversation they had with Ms G was on 16 February 2023.

But bearing in mind Ms G's expectation from the 26 January conversation with the bank, which was that S would receive its funds the next day, when that didn't happen, it doesn't seem unreasonable for Ms G to have contacted the bank to find out why. In particular, reasonably I'd have expected her to tell the bank about the pressures S was facing, before applying for the Loan given the relatively high interest rate it attracted. Barclays were not alerted to the action Ms G's intended to take.

So, even though there were delays on Barclays' part, since in the run up to the application for the Loan, there was no obvious engagement with the bank to explain S's difficulty I find it difficult to conclude that reasonably they ought to compensate S for the Loan.

I also bear in mind that later in February 2023 after Ms G did contact the bank again, there discussions about paying part of the funds towards the Loan and part towards the Account which ultimately the bank was unable to do.

But in spite of those discussions, and S having now received the funds, Ms G hasn't taken any obvious steps to repay the Loan either wholly or in part. Especially, when it was the lack of those funds which Ms G says led to the Loan becoming necessary in the first place.

That being said, I agree that the bank's delay did inconvenience S. Largely, arising from Ms G having to chase the bank for the return of the funds. However, I'm satisfied the bank's credit of £250 fairly compensates S for the inconvenience caused by their delays and so, I do not recommend Barclays take any further action.

I've noted Ms G's unhappiness with the compensation being credited to the Account. But I would not criticise Barclays for doing so because at the time the credit happened Ms G hadn't yet cancelled the Agreement.

### **My final decision**

Although I anticipate this will come as further disappointing news to Ms G, for the reasons stated above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 22 March 2024.

Asher Gordon  
**Ombudsman**