

The complaint

Mr H complains about the interest charged by Barclays Bank UK PLC and the terms of the payment holiday he had for his personal loan.

What happened

In January 2020 Mr H took out a personal loan with Barclays. Mr H requested two payment holidays during the Covid-19 pandemic – from April to June and August to October 2020 due to unemployment and family bereavement. Mr H was due to start payments after the first period ended in July but missed the payment and this was incorporated in the payment holiday.

Mr H said he was due to finish paying off the loan in January 2024 and contacted Barclays who told him he still owed approximately £5,500 as his deferred payments had been added to the end of his loan. Mr H said it was his understanding that the deferred payments had been added to his monthly payments and this is what he had requested. He said he has been charged excessive interest on the six months deferred payments. He brought a complaint to Barclays and subsequently to this service.

Our investigator concluded that Barclays hadn't done anything wrong. Mr H didn't agree and asked for a decision from an ombudsman. He said Barclays should have added the extra amount to his monthly repayments for it to end in January 2024, as he requested on the phone. He said he was also being charged excessive interest.

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.

I realise this will come as a disappointment to Mr H but having done so I won't be asking Barclays to do anything further.

I trust Mr H won't take it as a discourtesy that I've condensed the complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Although I've read and considered the whole file, I'll keep my comments to what I think is relevant. If I don't comment on any specific point, it's not because I've not considered it but because I don't think I need to comment on it to reach the right outcome.

Mr H said he was given two options to choose from:

1. The repayments would be added onto his personal loan, interest free due to the Covid Pandemic.
2. Or, he could make the payments at the end of his loan, interest free.

He said he went with option 1 which wasn't implemented. I've listened to the telephone call between Mr H and Barclays when he asked for the payment holiday. The advisor explained that the loan would extend, and Mr H agreed. The advisor then said that the loan would keep accruing interest. Mr H queried this but the advisor confirms saying:

"Unfortunately it still keeps on going, the interest" to which Mr H responded "okay, alright."

I understand with the passage of time it maybe difficult to remember what was said during the call and it was during a challenging period. But I'm satisfied that Mr H was made aware at the time that the payments would be added to the end of the loan and would continue to accrue interest.

I have also seen a copy of a letter sent to Mr H when the loan payment holiday period was coming to an end. This letter is dated 26 October 2020. It says:

We've extended your loan term so that you make additional monthly payments at the end of your loan, to cover those deferred by your payment holiday. You'll need to make these on your normal repayment billing dates.

If you have a loan with interest, we will have charged you interest as normal during your payment holiday. When your monthly loan payments restart, we won't increase them to cover that additional amount, so there will be a one-off sum to be repaid at the end of the loan, once all of your monthly payments are complete, including interest that will have been charged on it as normal. If you pay this early it will cost you less overall than waiting until the end of your loan. If you'd prefer to do this, please contact us — otherwise, we'll get in touch at the end of your loan term to discuss how you'd like to pay it off.

I've seen evidence this letter was sent. I'm satisfied that Mr H was made aware of what would happen to the outstanding payments when the payment holiday ended. I'm also satisfied that Mr H was made aware that if he made the payments earlier it would cost less interest. Mr H has said that Barclays didn't clarify how much interest he would be charged. I've seen a copy of Mr H's terms and conditions. It notes the interest rate and says:

"If you miss a payment, you will have to pay interest at the agreed rate on the amount overdue."

Mr H's loan payments were £571.39 for 48 months. I've seen copies of his loan statements for 2021, 2022 and 2023 which were sent to him. All the payments made were for £571.39. Had Mr H been able to have the repayments added onto his personal loan (irrespective of any interest) he would've expected to see his monthly payments increase. The payments didn't increase, and I'm persuaded that Mr H would've been aware or ought reasonably to have been aware that the payments hadn't been added on. So I'm satisfied that Barclays hasn't done anything wrong in relation to the outstanding payments nor has it taken advantage of Mr H.

Mr H has told this service that he is in financial difficulty and that these payments are contributing towards this. I'm very sorry to hear this. The Lending Code requires financial institutions to be sympathetic and positive towards customers who are experiencing financial difficulties. I recommend Mr H contacts Barclays to discuss what support can be provided.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 July 2024.

Maxine Sutton
Ombudsman