

The complaint

Mr L, a sole trader, is unhappy because he feels that Barclays Bank UK PLC delayed his receipt of a Bounce Back Loan (“BBL”).

What happened

Mr L applied to Barclays for a BBL in December 2020. Barclays responded to Mr L and explained that they needed him to confirm that he had been trading before 1 March 2020, as per the eligibility requirements of the BBL scheme. Mr L submitted proof of trading to Barclays, but Barclays weren’t satisfied with the information he’d provided and requested further information from him.

Mr L was eventually able to provide proof of trading information that was acceptable to Barclays, and he then successfully applied to Barclays for a BBL. But because of the delays in meeting what Mr L felt were unreasonable proof of trading demands from Barclays, Mr L couldn’t apply for a BBL until May 2021, and he didn’t receive the BBL funds until 1 June 2021. Mr L wasn’t happy that Barclays had caused him to receive the BBL funds approximately six months after he first sought to apply for a BBL, so he raised a complaint.

Barclays responded to Mr L but didn’t feel that they’d done anything wrong by requiring the proof of trading information from Mr L that they had. Mr L wasn’t satisfied with Barclays response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn’t feel that Barclays had acted unfairly in how they’d managed the situation and so didn’t uphold the complaint. Mr L remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 1 February 2024 as follows:

Because of the unique circumstances surrounding the emergence of Covid-19 that led to the creation of the BBL scheme, it was anticipated that there would be a large influx of BBL applications. So, to enable lenders to process BBL applications quickly, the British Business Bank – which administered the BBL scheme – made it the responsibility of the applicant to self-declare they met the eligibility criteria of the scheme and were entitled to receive a BBL.

This meant that lenders, such as Barclays, weren’t required to verify or check whether the eligibility information provided by the applicant was correct. Instead, it was the responsibility of the applicant to have understood the eligibility criteria of the scheme and to have submitted accurate eligibility information in any BBL application. Although lenders were expected to conduct certain basic checks on self-certified eligible applicants when such checks were deemed appropriate. These included Know Your Customer (“KYC”) checks.

In the case of Mr L, while he had been an existing Barclays customer for several years when he first sought to apply for a BBL, he had only held personal accounts with Barclays. This meant that while Mr L was known to Barclay as a personal customer, he wasn't known to them as a business customer. And one of Barclays requirements for a BBL was that it should, in most instances, be paid into a business account – because it was a business loan.

This led to Mr L opening a business current account (“BCA”) with Barclays in November 2020, which then enabled him to apply for a BBL with Barclays. But Barclays say that because Mr L wasn't a known business customer to them when he sought to apply for a BBL – having only recently just opened a BCA with them – Barclays required proof of trading from Mr L which showed that he had been trading prior to 1 March 2020, and so met the eligibility requirements of the BBL scheme. And Barclays have explained that this was a KYC check.

I find it difficult to agree with Barclays on this point. One reason I say this is because Mr L had already recently opened a BCA with them, which was his first business account with Barclays. And so, any new-business-customer KYC checks should reasonably have been undertaken by Barclays as part of the process of opening that BCA.

Additionally, I don't accept that a reasonable KYC check included proof of trading prior to the eligibility date of the BBL scheme. Rather, I feel that this check was a BBL scheme eligibility check in all but name. But, as previously explained, lenders weren't required to check applicant eligibility. Rather, it was for the applicant to self-attest that they met the eligibility requirements of the scheme – which Mr L had done.

I'm aware that Barclays disagree with my position here and feel that they were required to check scheme eligibility for BBL applicants. But I can find nothing in the information published by the British Business Bank (“BBB”), which accredited the scheme, which supports Barclays position here. Alternatively, I note the following statement from BBL FAQs page of the BBB website:

“What checks will I be subject to?

Applicants are required to self-declare that they meet the eligibility criteria for the Scheme.

Applications from eligible borrowers will be subject to customer fraud, Anti-Money Laundering (AML) and Know Your Customer (KYC) checks.”

I think that the above statement clearly explains that it was for BBL applicants to self-certify that they were eligible for the scheme – which Mr L did – and that self-certified eligible applicants were then subject to customer fraud, AML, and KYC checks. If Barclays are aware of any literature published by the BBB which supports their own position, then I invite them to submit it to me.

As explained, Barclays are arguing that the proof of trading check was in fact a KYB check, and hence in line with the scheme FAQs cited above. But, as I discussed above, I feel that any new-business-customer KYC checks should have been undertaken when Mr L opened his BCA – which was his first business account with Barclays. And it seems clear to me that the fact that Barclays 'KYC' check included proof of trading prior to the BBL scheme eligibility date of 1 March 2020, that Barclays check in this regard was in fact a BBL scheme eligibility check, which they were not expected or required to undertake.

Having said that, I think it's important to make it clear that I'm not disputing Barclays' right – and indeed obligation – to carry out KYC checks as they see fit. But I've seen nothing to convince me that Barclays have a specific concern here that could reasonably have

triggered this particular check. If Barclays have further evidence on this specific point, I invite them to provide it.

My provisional view is that what should have happened here is that, having already approved Mr L as a new business customer when he applied for the BCA, Barclays should have accepted Mr L's self-certification that he was eligible to receive a BBL and credited the BBL loan funds to his BCA in a timely manner – usually within a few working days. This meant that Mr L should have received the BBL funds most likely in December 2020. I feel that by disregarding Mr L's scheme eligibility self-attestation, and by subjecting him to a scheme eligibility check, Barclays have unfairly delayed Mr L's receipt of the BBL funds. As such, my provisional decision here will be that I uphold this complaint on this basis.

However, it's notable that when Barclays requested proof of trading from Mr L, that Mr L sent documents to Barclays and in return received an email from Barclays, dated 6 January 2022, which explained why they couldn't accept the documents Mr L had sent.

Mr L didn't respond to this 6 January 2021 email. And he only contacted Barclays again in February 2021, and on the 9th of that month he explained that he'd been taken ill around New Year and had missed Barclays' 6 January email. Mr L then confirmed that he would go back to his accountant to try to get the documents that Barclays required.

Following this, several further weeks passed before Mr L contacted Barclays again, on 19 March 2021, when he explained that he was now looking to apply for the BBL again. And in consideration of these points, I feel that while Mr L shouldn't have been subject to an eligibility check, there were periods of inaction from Mr L which contributed to the length of time it took him to satisfy Barclays proof-of-trading check.

Furthermore, following Mr L's re-engagement with Barclays in March 2021, it took Mr L a further two months to provide the proof of trading information that Barclays required. And I feel that Barclays explanation of what proof of trading information they required was clear.

As such, while I don't feel that Mr L should fairly have been subject to the proof of trading eligibility check that Barclays did subject him to, I also feel that Mr L could reasonably have provided the information to Barclays to enable him to satisfy that check much quicker than he did. And had Mr L maintained contact with Barclays in the first instance, I feel that he could potentially have satisfied Barclays proof of trading requirements in January 2021, and then successfully applied for a BBL with Barclays that same month.

All of which means that while I do feel that Barclays did unfairly delay Mr L's receipt of the BBL funds by requiring the proof-of-trading information, I don't feel that Barclays should reasonably be held solely accountable for the fact that Mr L didn't receive the BBL funds until 1 June 2021. Rather, I feel that Mr L himself must also bear some responsibility for the length of the delay, given what I've explained.

However, I do feel that Mr L was subject to an unreasonable and unnecessary degree of inconvenience and frustration by Barclays because they subjected him to a BBL scheme eligibility check they fairly shouldn't have subjected him to.

Accordingly, in consideration of this frustration and inconvenience, and given that I feel Barclays should be held accountable for a part of the delay that Mr L experienced in receiving his BBL funds, I'll be provisionally instructing Barclays to pay £500 compensation to Mr L for what's happened here.

In arriving at this position, I've considered the trouble and upset Mr L has unnecessarily incurred here, and that I feel that both Mr L and Barclays bear some responsibility for the

fact that the BBL funds weren't received by Mr L until 1 June 2021, rather than earlier. And I've also considered the general framework that this service uses when assessing compensation amounts, details of which can be found on this service's website.

I'm aware that Mr L feels that Barclays should fairly be instructed to write off his BBL. But I don't agree with Mr L's position in this regard. This is because, in instances where an individual has received a loan, and has had the benefit of the loan funds – as Mr L has in this instance – I'll almost always feel that it's fair that that individual should be held accountable to repay the loan that they've received as per the loan terms. And I haven't seen anything in the information and evidence presented to me that makes me feel any differently in this specific instance.

However, I do feel that Mr L should be compensated for the inconvenience he was subject to and for receiving the BBL funds later than he should have done, as explained above. And to confirm, for these reasons my provisional decision is that I uphold this complaint in Mr L's favour and provisionally instruct Barclays to pay £500 compensation to Mr L.

Barclays responded to my provisional decision and provided some new information which I'm satisfied confirms that, under the BBL scheme, lenders were expected to verify that applicant businesses had been trading on before the eligibility cut off date of 1 March 2020.

Barclays feel that the proof-of-trading process that they put in place met the necessary criteria to fulfil the requirement for trading to be evidenced. But it's important to note that the scheme criteria gave several options of how an applicant's eligibility could be determined, including by requesting a tax return, or by other checks. And I feel that by permitting lenders to verify trading by 'or by other checks', the criteria gave lenders a wide scope in how they could confirm trading before 1 March 2020 and that an applicant was therefore eligible.

I've asked Barclays for their comments on this point, and in response Barclays have explained that they don't feel that a completed 2018/19 tax return on its own was sufficient to meet the trading eligibility criteria. And it was for this reason that Barclays also asked Mr L to provide personal bank statements with trading transactions before 1 March 2020 highlighted and which showed that the tax owed by his business for the 2019/19 tax year had been paid.

But Barclays appear to have missed the 'or' part of the clause I've mentioned above here. And the stated criteria didn't require trading to be confirmed by a tax return and by other checks, but by a tax return or by other checks.

As previously explained, it must be remembered that the purpose of the BBL scheme was to get money to businesses adversely affected by the emergence of the Covid-19 pandemic as quickly as possible. And so, it makes sense that the criteria would give lenders a wide scope to confirm applicant trading before 1 March 2020 – because to do otherwise would potentially place unnecessary barriers which might prevent an eligible applicant business receiving BBL funds as quickly as was intended by the BBL scheme.

Ultimately, I feel that by sticking rigidly to a self-designed proof-of-trading process that seems to have had more arduous criteria than what was required by the BBL scheme, that Barclays did put unnecessary and unfair barriers in place which prevented Mr L receiving the BBL funds he applied for and which he should have received sooner. And I feel that Barclays reasonably could and should have concluded, by other checks, using the information presented to them by Mr L and his accountant – as the criteria allowed them to do – that Mr L's business had been trading before 1 March 2020 such that he was an eligible applicant.

Mr L also responded to my provisional decision and provided several pieces of correspondence between Barclays and himself to illustrate the frustration and inconvenience that Barclays were causing him. I'm in agreement with Mr L that he has unfairly incurred an amount of stress and trouble that he reasonably shouldn't have done here. And it was for this reason that I provisionally instructed Barclays to pay £500 compensation to him.

But I continue to feel that it wouldn't be fair to instruct Barclays to pay anything to Mr L beyond this £500 compensation. And this is because, while I do feel that Mr L was subject to requirements from Barclays that were more onerous than should have been the case, it was possible for Mr L to meet those requirements. And, as mentioned in my provisional decision above, there appears to have been notable periods of time when Mr L wasn't actively trying to meet the proof-of-trading verification criteria that Barclays required from him.

In short, while Barclays made it difficult for Mr L to receive BBL funds, they didn't make it impossible. Accordingly, while I do feel that Mr L should be compensation for the frustration and inconvenience that he unfairly and unreasonably incurred here when trying to meet Barclays criteria, I don't feel that Barclays should be instructed to reimburse his business for any potential loss of earnings – because Mr L could have met Barclays criteria sooner than he did.

All of which means that my final decision here is that I will be upholding this complaint on the basis as previously described in my provisional decision. I hope that both Mr L and Barclays will understand, given what I've explained, why I've made the final decision that I have.

Putting things right

Barclays must make a payment of £500 to Mr L.

My final decision

My final decision is that I uphold this complaint against Barclays Bank UK PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 14 May 2024.

Paul Cooper
Ombudsman