

The complaint

A limited company, which I'll refer to as S, complains that Barclays Bank UK PLC has failed to reduce its monthly bounce back loan ("BBL") repayments in line with the Pay As You Grow (PAYG) options it selected. S also complains that Barclays told S it could return overpayments to the BBL and then refused to do so.

S is represented by a director, Mr B.

What happened

S took out a £30,000 BBL from Barclays. Repayments started in August 2021, after the 12 month payment free period.

Over the following years, S used all of its payment holidays through PAYG and also applied for a 10 year term extension. It also made several overpayments.

On 5 December 2022, S made a £10,000 overpayment to the loan. It made another £5,000 overpayment on 15 December.

On 6 February 2023, S called the bank and asked if the overpayments it had made in December could be returned. Barclays said this could be processed within two working days.

S contacted the bank again on 9 February 2023 to chase the return of the funds, but the bank then told S that they couldn't be returned. S made a complaint about this. S also said it didn't think its loan repayments were correct.

Barclays didn't respond to the complaint within eight weeks, so Mr B asked the Financial Ombudsman to get involved. While one of our investigators was gathering evidence, Barclays accepted that they had made an error in processing the term extension. The bank made an offer to put things right by extending the end date of the loan, adjusting the monthly repayments and refunding the additional amounts paid. Barclays also offered to pay S £200 in compensation for the error in telling Mr B that the funds could be returned.

Our investigator thought the bank's offer was fair. Mr B accepted the settlement, but then the bank said it had some technical difficulties implementing it, which caused delays for several months.

Mr B asked for an ombudsman's decision to clarify things.

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.

First, I know that Mr B's original aim in bringing the complaint was to get back the overpayments he made in late 2022. For completeness, I will start by saying that I agree with our investigator's conclusions on this point. The BBL documentation is clear that overpayments cannot be re-drawn. So I consider that Barclays were entitled to decline to return the overpayments. The bank accepts, however, that it made an error when it told Mr B on the phone that the overpayment could be returned. I think a payment of £200 in compensation for the impact of that error on S is fair.

Both parties have been in agreement for some time that the bank made an error in the way it applied the term extension to the BBL, which has resulted in S paying too much in its monthly instalments. I agree and I think Barclays' offer to put things right is fair.

Mr B accepted the bank's offer on behalf of S on 27 November 2023. However, since then, there have been lengthy delays on the bank's side, resulting in the need for this decision. I am adding some additional compensation to cover these delays. I have given the bank advance notice of my intentions in this regard and they confirmed they did not object.

Putting things right

My aim here is to put S back in as near as I can to the position it would have been in, if Barclays hadn't made an error in applying the term extension to the BBL. To do this, Barclays must:

- Reconstruct the loan with the correct maturity date, having applied the term extension and the overpayments at the correct points in time.
- Ensure that the monthly repayments from the date of the reconstruction are the correct amount to repay the BBL over the new term.
- Refund any overpaid monthly repayment amounts, net of any arrears outstanding at the refund date. The bank has calculated this to be £1,804.72 and I understand this amount has now been refunded.
- Pay interest on the refund mentioned above at the rate of 8% per annum pro rata calculated from the date S accepted the bank's offer (27 November 2023) until the date of payment of the refund. This is by way of compensation for S being deprived of the use of these funds for that period.
- If the bank has not already done so, pay the £200 compensation previously offered for the impact on S of the bank's incorrect statement in a phone call that the overpayments could be refunded.
- Pay an additional £500 in compensation for the inconvenience caused by the bank's delays in putting the agreed settlement into effect, which have clearly taken a considerable amount of Mr B's attention away from running the business.

My final decision

For the reasons set out above, I uphold this complaint in part and direct Barclays Bank UK PLC to take the actions and pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 19 June 2024.

Louise Bardell
Ombudsman