

## The complaint

Mrs G, a sole trader, complains that Barclays Bank UK PLC is wrongly pursuing her personally for the repayment of a Bounce Back Loan (BBL) applied for by a limited company.

Mrs G is represented by her daughter, who I'll call Mrs H. Mrs H is also the sole director of the limited company, which I'll call M.

## What happened

Mrs G opened a sole trader business account with Barclays in June 2018. The account operated under a trading name.

On 10 September 2020, Barclays received a BBL application from Mrs G. The loan funds of £21,000 were paid to the sole trader account the following day.

In 2021, Barclays began a Know Your Customer (KYC) review for Mrs G's business. During this review, Mrs G told the bank that the business was now operating as a limited company and was owned by Mrs H.

Barclays said this meant a new account for M required. And in April 2022, the limited company opened an account with the bank.

In November 2022, Mrs G closed her sole trader account and the BBL went into arrears.

M closed its current account on 14 October 2023.

In August 2023, with the BBL several months in arrears, Barclays issued a default notice. This notice advised the arrears would need to be repaid by 20 September 2023, or the BBL would become payable in full. The loan was later passed to a debt collection agency.

Mrs H complained on behalf of Mrs G about Mrs G being asked to repay the BBL arrears, as she said the loan was in the name of M. Barclays didn't uphold the complaint, as it didn't think it had done anything wrong.

Mrs H asked for the Financial Ombudsman to look into what had happened.

Since this complaint was referred to us, Barclays told us that it was willing to transfer the BBL from Mrs G's name to M's, provided it could be demonstrated that M would have been eligible for a BBL at the application date. This would require M to agree to the transfer, a process known as novation.

Barclays has now said that sign-off has been given for the novation, which should complete shortly.

Whilst progress with the novation appeared to have stalled, one of our investigators looked into Mrs G's complaint. She didn't think the bank had made an error, so she didn't recommend that Barclays take any action.

Mrs H disagreed and asked for an ombudsman's decision. She made the following points, in summary:

- Barclays should have picked up and queried the company number on the BBL application.
- Mrs H had dealt with the online BBL application, with her mum's approval. All of the accounts were linked and visible on her internet banking.
- In signing the BBL application, Mrs G had believed she was just signing as lead signatory on the account.
- Mrs H and Mrs G had other limited companies and she and Mrs G had believed they were all in joint names, including this one.
- She had sent the bank a copy of the Companies House details when M was set up and had heard nothing further. She had therefore notified Barclays well before the BBL application that the correct entity was M.
- Until Mrs G had started getting letters about the arrears, Mrs G and Mrs H had thought the BBL was in the limited company's name.
- During the KYC review in 2021, she had told Barclays that M was the trading entity, not Mrs G as sole trader. The bank had said that a new bank account needed to be set up and this was done. But no-one had mentioned the loan.
- This should all have been resolved in 2021 if Barclays had been more proactive.

### **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 same conclusion as our investigator, for essentially the same reasons. I am pleased to hear that Barclays has agreed to novate the BBL and matters appear to be well under way. But I am not intending to direct the bank to take any further action to put things right. I'll explain my reasoning below.

At the time of the BBL application, Mrs G had one business account. The trading name on the account was the same as M's name, but without the "limited" at the end. She gave this name (or Mrs H did) on the BBL application form and quoted the account number. Mrs G also signed the application as owner, although she was not, and never has been, the owner or a director of M.

The only evidence that suggested the application was M's not Mrs G's was the inclusion of M's registered company number. Mrs H has suggested that this should have been enough to lead the bank to query who the applicant was – and this would then have resolved the issue and led to the BBL being in M's name. However, I'm not persuaded it's reasonable to say that the registered number alone should have alerted the bank, given that all the other information given, including the fact that Mrs G and not Mrs H was signing, pointed to it being an application in the name of the sole trader who already had an account.

I also agree with our investigator that it's more likely than not that an application from M signed by its sole director, Mrs H, would have been rejected by the bank, as it wasn't from a customer and didn't match the bank account details given.

Mrs H has argued that she had sent the bank a copy of the Companies House record of M's incorporation in 2019, so she had notified the bank. She therefore assumed that the bank account had been transferred to M's name. She hasn't provided any evidence of this and the bank has no record of it. I also note that, when the existence of M came to light as a result of a KYC review in 2021, Barclays told Mrs H that the existing sole trader account could not be changed and a new account was required by M. So I think that is what the bank would have said if it had received any prior request to change the account name.

Mrs H has also said that she had several other limited companies and didn't experience these issues with those accounts. She also says that they had tried to change them all to joint accounts - by which I believe she means accounts with 'either to sign' mandates – but the bank had failed to change the mandates. I haven't seen evidence of this, so I don't think it would be fair to conclude Barclays has made any error in that regard.

I understand Mrs H's point that, when the bank learnt of M's existence in 2021, Barclays should then have taken action on the BBL as well. Whilst I agree that it would have been good customer service for Barclays to notice and query the BBL at that point, I don't think it was an error not to do so. After all, neither Mrs H nor Mrs G mentioned or thought about the BBL either at that point. And as far as the bank knew, they might have been perfectly happy to continue with the loan in Mrs G's name. I also think that Barclays' policy on novations has changed recently, so even if the bank had become aware of the issue earlier, the BBL might not have been novated much sooner.

Mrs H has also said that she and her mother weren't aware that the BBL was in Mrs G's name until they received letters about the arrears. These started in late 2022. However, as our investigator pointed out, the bank statements were very clearly in Mrs G's name as a sole trader. I think this should have made reminded Mrs G that this account remained in her own name. I can also see that, although the BBL was taken out in September 2020, it does not appear in M's accounts that year – the year ended March 2021. If Mrs H had thought M had taken out the BBL, I would have expected it to be included in M's balance sheet from that date.

Another part of Mrs H's argument is that part of the reason that she wasn't aware that the BBL was in Mrs G's name, was that Mrs G's sole trader accounts were visible to her via her online banking. She isn't able to provide evidence of this because the account is now closed. Barclays has however shown us online banking records that indicate that the current account and BBL were never linked to Mrs H's profile and would therefore not have been accessible to her. I am more persuaded by the bank's evidence than Mrs H's assertions, but in any case, it would not change my view on a fair outcome here, even if Mrs G's accounts had somehow been linked to Mrs H's.

Mrs H has told us that Mrs G is in very poor health and she feels it is unfair of Barclays to keep writing to her in these circumstances. I'm sorry to hear of Mrs G's illness. But I don't think the bank's correspondence has been excessive or unfair. It has merely followed its usual procedures in the circumstances where a debt goes unpaid. These were permitted within the BBL agreement and include making formal demand and transferring the debt to be administered by a third party debt collection agency.

I can see that all the standard letters about the arrears were sent to the business address. But the default notice appears to have gone to both addresses, as did a letter confirming the transfer of the debt to the debt collection agency. Whilst I appreciate, these letters are not pleasant to receive, I don't think it's unreasonable for the bank to send very important correspondence to all addresses it holds, to maximise the chance of its customers receiving it. I think this is even more justified where that customer is a sole trader and thus personally liable. Although this is likely to be superseded by the novation, I also understand that the debt collection agency has agreed to change its records so that it doesn't write to that address in future.

Mrs H has also complained that Mrs G was required to visit a branch on two occasions, which was difficult for her given her health. I have seen that Mrs H mentioned Mrs G being asked to visit a branch in an email to the bank in November 2021 in connection with a mandate change. There is nothing in the bank's records suggesting they made this a requirement. It also isn't normally an essential part of adding someone to a mandate, so I think perhaps there was some form of unfortunate miscommunication here.

In summary, I'm sorry to hear about Mrs G's poor health and I hope that the solution the bank has offered to novate the loan to M will prevent any further distress. But whilst I can see there may have been some communication problems, I haven't found that Barclays has made errors. I am therefore not going to require it to take any further action.

### **My final decision**

My final decision is that I don't require Barclays Bank UK PLC to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 7 August 2024.

Louise Bardell  
**Ombudsman**