

The complaint

A limited company, which I'll refer to as 'C', is unhappy that Barclays Bank UK PLC defaulted its Bounce Back Loan ("BBL") and restricted its Business Current Account ("BCA") as a result.

C's complaint is brought to this service by one of its directors, whom I'll refer to as 'Mr M'.

What happened

C successfully applied to Barclays for a £20,000 BBL in May 2020 and received the loan funds that same month. The terms of C's BBL included that C was required to make monthly payments comprising £333.33 capital repayment plus accrued interest from June 2021 onwards, for 60 months.

C made its BBL payments from June 2021 until June 2022. But C failed to make a BBL payment for July or August 2022 and fell two months into arrears on its loan at that time.

C then made the required monthly BBL payments from September 2022 until January 2023, but it didn't catch up on the two payments it had previously missed. This meant that C's BBL remained two months in arrears through that period.

C applied for a six-month Pay-As-You-grow payment holiday on its BBL which came into effect after the January 2023 payment was made. This meant that C wasn't expected to make any payment towards its BBL for the six-month period, February to July 2023. But C didn't clear the two payments it had previously missed during its PAYG payment holiday, and so its BBL remained in arrears, as it had been since July 2022.

C was expected to resume making monthly payments towards its BBL from August 2023 onwards, after its six-month PAYG payment holiday had ended. But C didn't make the BBL payments that were contractually required of it in August, September, or October 2023. This meant that its BBL fell five months into arrears and that it had been in arrears for approximately a year and a quarter.

On 3 November 2023, because of the arrears that had accrued on C's BBL and the length of time the loan had been in arrears, Barclays issued a final demand notice to C for full repayment of the outstanding BBL balance.

Mr M has said that he contacted Barclays on C's behalf upon receipt of the final demand notice and arranged an arrears repayment plan with them. Barclays disagree, and say that they have no record of receiving any contact from C at that time.

Barclays also explain that when C didn't either fully repay the BBL or come to an arrears repayment arrangement with Barclays, as required by the final demand notice, that they moved to default C's BBL and transferred C's accounts, including the BCA, to their recoveries team. And Barclays also made the decision to restrict C's BCA and to give notice to C that they were closing C's accounts and ending the banking relationship with C.

Mr M wasn't happy that Barclays had defaulted C's BBL and restricted C's use of its BCA, and he raised a complaint with Barclays on C's behalf. Barclays responded to Mr M and noted that they'd sent numerous communications to C during the many months that its BBL had been in arrears asking C to contact it to discuss repayment of the arrears.

Barclays also confirmed that because C didn't clear the BBL arrears and didn't make any BBL payments at all when its PAYG payment holiday ended, that they didn't feel they'd acted unfairly by defaulting the BBL and administering C's accounts as they had. Mr M wasn't satisfied with Barclays' response, so he referred C's complaint to this service.

One of our investigators looked at this complaint. But they didn't feel Barclays had acted unfairly in how they'd managed the situation, and they didn't feel that there was any evidence to support Mr M's claim that he'd arranged an arrears repayment plan with Barclays on C's behalf in November 2023. Mr M remained dissatisfied, so C's complaint 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.

When C accepted the BBL from Barclays it accepted the terms of that loan. These included that C was contractually obliged to make monthly payments in line with the loan repayment schedule.

Ultimately, C didn't do this. And while I acknowledge Mr M's statement that although C didn't make all the monthly payments it did make most of them, I can only reiterate that the contractual obligation on C was that it would make all the monthly payments. And by making most but not all of the monthly BBL payments, I'm satisfied that C failed to meet its contractual payment obligations, as per the terms of the BBL.

Barclays have also been able to demonstrate to my satisfaction that they sent numerous letters to C informing it of the arrears that were present on its BBL from July 2022 onwards. Barclays sent these letters to C roughly every two weeks, and the letters sent after August 2022 but before August 2023 confirmed that C was £732.18 in arrears – the cumulative total of the two missed payments from July and August 2022.

Notably, these letters were sent by Barclays to the address that Mr M has provided to this service as the correct contact address for C. And so, I'm satisfied that Mr M reasonably should have been aware of the arrears on C's BBL, and of the need for C to clear those arrears, from July 2022 onwards.

Importantly, the many arrears letters that Barclays sent to C included the following explanation of the steps that Barclays could choose to take, if the arrears remained outstanding:

"If you can't make this missed payment, or you miss another payment, we may do any or all of the following:

- *Restrict access to your Barclays Business accounts without further notice, meaning we will:*
 - *Cancel your overdraft and any emergency borrowing facility on your account*

- *Cancel your business debit card, which could interrupt your access to Online Banking if you use the card to sign in*
- *Cancel all standing orders and Direct Debits set up on your business account, except payments to us*
- *Cancel your chequebooks*
- *Remove your access to Business Online Banking”*

In consideration of all the above, I don't feel that it was unfair or unreasonable for Barclays to have issued the final demand notice to C in November 2023 which required C to fully repay its outstanding BBL balance with immediate effect. This is because, as explained, by the time Barclays issued the final demand notice, C was five months in arrears on its BBL and had been in arrears on the loan for a year and a quarter. And I'm satisfied that it was reasonable for Barclays to consider C to have failed to meet its contractual payment requirements on the BBL such that the issuance of a final demand notice was reasonable.

I accept that C had fallen into financial difficulty towards the end of 2022, and I note a conversation that took place between Mr M and Barclays about this on 30 December of that year. Barclays placed a 30 day hold to C's account in response to that conversation to allow Mr M the time to resolve C's financial position and come to an arrears repayment plan with them. And following this, Mr M applied for the PAYG payment holiday which meant that C didn't need to make the BBL payments that were scheduled for the next six months.

But Mr M didn't subsequently arrange an arrears repayment plan with Barclays. And I note that Barclays sent a letter to C dated 30 January 2023 which confirmed that they hadn't received any offer of arrears repayment from C and asking Mr M to contact them.

I also note that similar letters were sent to C later in 2023 when Mr M indicated that he would make arrears repayment offers to Barclays following the end of the PAYG payment holiday and when C begin missing further BBL payments. Specifically, these letters advising that no arrears repayment offer had been received following an indication from Mr M that he would provide one were sent by Barclays on 31 August and 1 October 2023.

Mr M has said that he did contact Barclays after he received the final demand notice in November 2023 and came to an arrears repayment plan with them at that time. And Mr M refers to a letter than C received from Barclays dated 23 November 2023 as proof of this. Barclays don't agree that Mr M did contact them in November 2023 and say that they have no record of any contact from Mr M around that time. And Barclays also explain that the letter which Mr M refers to isn't an arrears repayment plan confirmation letter.

Where the positions of a complainant and a respondent business sit in contradiction with one another, as they do here, I must decide which version of events I feel is most likely to have happened, on balance and in consideration of all the information available to me.

In this instance, I find Barclays position to be the more persuasive. This is because I feel that if Mr M had spoken with Barclays, that Barclays would most likely have a record of this, like they do of other conversations they've had with Mr M. Additionally, it's clear that the letter that Mr M refers to isn't an arrears payment plan confirmation letter as he maintains. Rather, the letter confirms the next scheduled payment amount on the BBL. I've checked the previous four months – from July to October 2023 – and I note that C received letters of the exact same type as the letter it received dated 23 November 2023 in all four of those months, each of which explained how much the next scheduled BBL payment would be.

As such, while I appreciate that the letter explains that the next payment amount would be £424.48 and that it would be taken automatically so that Mr M didn't need to do anything to make that payment, I don't feel it was reasonable for Mr M to have believed that that letter somehow superseded the final demand notice that C had received a few weeks previously. And I don't feel that it was reasonable for Mr M to have believed that the letter represented a confirmation that C had entered into an arrears repayment arrangement with Barclays.

It follows then that I don't feel that Barclays did act unfairly when, with the requirements of their final demand notice not having been met, they defaulted C's BBL for non-repayment of accrued arrears and moved C's accounts to their recoveries department.

It also must be noted that Barclays final demand notice included the same warning that Barclays could restrict C's BCA without further notice as the previously sent missed payment letters, and which I've directly quoted above. And given that this warning was provided to C by Barclays on numerous occasions during the time that C's BBL was in arrears, I don't feel that Barclays have acted unfairly by restricting C's BCA as they did – in line with how they've warned C that they might act since C first fell into arrears in July 2022.

Mr M is also unhappy with some service issues that C has experienced during the events under consideration here. These include that an expected call back from Barclays wasn't received and that Barclays removed some of the restrictions on C's BCA, only to reinstate those restrictions later that same day.

Barclays have accepted that a call back to Mr M wasn't made as promised on 11 December 2023 but note that they spoke with Mr M on 12 and 14 December 2023, such that the impact of the missed call back was minimal. Barclays also explain that the restrictions on C's BCA should never have been lifted and that they were lifted in error. And Barclays confirm that the restrictions were put back in place as soon as that error was noticed.

Barclays have apologised to C for the service issues it encountered and offered £150 compensation to C for the inconvenience it experienced as a result. This offer from Barclays feels fair to me, given what happened as I've described above, and I won't be instructing Barclays to make any further offer to C beyond this. Accordingly, while I will be upholding this complaint in C's favour, I'll only be doing so to formally instruct Barclays to pay the £150 to C that they've already offered to pay.

Finally, Mr M is unhappy that C has incurred charges on its BCA during the time that it's been restricted. It's my understanding that this aspect of C's complaint with Barclays remains unresolved, and that Barclays intend to assess whether any BCA charges should be refunded to C after they've closed C's accounts and ended the banking relationship, which they've given notice to C that they intend to do. I also note that matters are complicated slightly here by the fact that Mr M has been able to use C's debit card to withdraw money from C's account, meaning that the account wasn't fully restricted.

As such, I can only encourage Mr M to work with Barclays regarding the closure of C's accounts and to then assess whether he still wishes to complain about this point after Barclays have made their decision as to whether they will reimburse any BCA fees to C. And I confirm that because of the ongoing nature of this aspect of C's complaint, I don't feel that it sits within the scope of what I can reasonably consider here.

Putting things right

Barclays must make a payment of £150 to C.

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 C to accept or reject my decision before 11 August 2024.

Paul Cooper
Ombudsman