

The complaint

R holds a business bank account and secured loan with Barclays Bank UK PLC. R is unhappy about the actions Barclays took when the mortgage fell into arrears and it doesn't consider it was given enough time to clear the arrears before action was taken. It is also unhappy that Barclays took five separate mortgage payments of over £1,000 from its bank account on the same day in July 2022, when only one should have been taken.

What happened

R borrowed £100,000 from Barclays to finance renovations to its business property in 2015. The following year the borrowing was increased to £135,000 to pay for further works to the property.

At the end of October 2021 Barclays wrote to R asking for information about the business and people involved. It explained that it needed this information to prevent financial crime. Barclays went on to explain that if it didn't hear back, it might impose restrictions and may close R's accounts. However, it didn't take any action at that point when R didn't respond.

R's loan went into arrears in early 2022 when the payments for February, March and April were missed. R's current account also exceeded its limits and Barclays placed blocks on that account, which prevented R from using the debit card(s) associated with the current account and cancelled the associated overdraft.

As the arrears on the loan were not cleared, on 5 July 2022 Barclays issued a Formal Demand to R, requiring it to repay the entire loan balance. The same day it wrote to one of the partners, and its main contact, to confirm that R had seven days to comply with the Formal Demand, or it might result in the bank selling the property the loan was secured on. A few days later R contacted Barclays and said it would call back to sort things out.

On 18 July 2022 a payment arrangement was agreed to clear the arrears – R would pay in addition to the contractual monthly payment (CMP) £1,000 for six months, including July, followed by a final additional payment of £58.82 in January 2023.

However, due to a glitch in Barclay's system, five CMP payments of £1,083.05 were debited from R's bank account on 19 July 2022. Three of the payments were returned to the account the same day, but the other two payments were allocated to the CMP and additional payment that were due on 4 August 2022. R complained to Barclays and the bank upheld the complaint in a letter of 31 August 2022. Barclays refunded £83.05, plus 8% interest, which was the difference between the amount retained for August 2022 and the amount that R was due to pay that month. Barclays paid £300 compensation for the inconvenience the error had caused.

R didn't make the additional payment in September and only paid the additional payment, not the CMP, in October because there were insufficient funds in R's current account. As such, Barclays wrote to R to inform it the payment arrangement had failed. At that point the arrears were almost £3,500. R paid the CMP in some months thereafter, but payments were regularly missed, and no further additional payments were attempted.

On 4 January 2023 Barclays sent R a letter confirming the January CMP had been missed. The letter stated the arrears totalled £3,458.82. Barclays warned R that if the arrears were not cleared or further payments were missed, it could restrict access to the account.

On 18 January 2023 Barclays informed R of the missed January CMP. It provided a figure for the arrears of slightly over £11,600, which was incorrect. It was again confirmed that unless the matter was dealt with, access to the account could be restricted.

On 1 February 2023 Barclays called R. It was unable to get through, but it left a message. It asked R to call as a new plan for repaying the arrears was needed. Contact details were given. R didn't call Barclays.

On 9 February 2023 Barclays issued a Formal Demand for payment of the full loan balance. Barclays didn't send the secondary letter to any of the partners giving a deadline as it had in the previous July. R didn't make a payment and has told us that it assumed the letter had been sent because of the incorrect arrears balance contained in the 18 January 2023 letter, and so didn't need to take any action.

On 8 March 2023 Barclays sent R a further message that reiterated that several loan payments had been missed. It asked R to contact it and said that if it didn't hear from R it might close the account or any other accounts R held.

Barclays has confirmed the loan account was moved to Recoveries on 14 March 2023 and a block was placed on the account. This meant R was unable to access the account via online banking. R contacted Barclays on the same day and was told it would need to speak to the Recoveries team and details for how to do that were provided. A complaint was logged about the information R had been given on the arrears on the loan. It also complained that online access to its accounts, both banking and loan, had been removed without notice.

On 10 May 2023 Barclays followed up on the request from October 2021 for further details about the business. It highlighted that no response had been received. Barclays asked again for the information and told R that if it didn't respond within 30 days, it would add more restrictions to the account. This could include no access to products, services, lending or access to the accounts through Barclays' App or online banking.

On 13 June 2023, as R had not responded to the information request made in May 2023 for more details about its business, the relevant team placed blocks on both the loan and business current account so that they could not be accessed using the App or online. Use of the debit card on the current account was also restricted. Just over a week later, R contacted Barclays and said that it had sent it the requested information in March 2023 – Barclays had no record of the forms having been received. Barclays sent the forms to R again that day by email.

On 8 August 2023 Barclays responded to R's complaint about the incorrect information about the arrears given in the 18 January 2023 letter. Barclays told R to disregard the letter that said the arrears were over £11,000 as that figure was wrong and had been sent in error. Barclays apologised and credited R's bank account with £100. Barclays also confirmed that the loan account would remain in Recoveries as a formal demand had been issued and had expired without the arrears being cleared. It said the correct process had been followed and the account would remain in Recoveries.

On 23 August 2023 Barclays issued another final response letter. Barclays acknowledged that it had not fully recorded the complaint when it had been made and that dealing with the complaint had taken longer than usual. Barclays also said that it appreciated that the complaint process had stopped R being able to set up a payment arrangement for the

arrears but said that R had been aware of the arrears. It again confirmed that the loan account would remain in Recoveries and that it had been moved there because of the number of missed payments, rather than the incorrect arrears figure that was contained in the 18 January 2023.

At the beginning of September 2023 Barclays received a response to its requests for more information about R and its partners, most recently requested in May 2023. It told R that it needed some clarification and asked for a telephone call within the following ten days. It confirmed that the restrictions on R's accounts would remain in place and if R didn't call, it might result in account closure. A chaser letter was sent to R on 24 September 2023.

R provided Barclays with what it needed a few days later. Barclays confirmed on 29 September 2023 that the account restrictions had been removed and if R had received a notification about account closure, it should be ignored.

R wasn't satisfied with the responses it received to its concerns and referred the complaint to this Service on 6 October 2023.

One of our Investigators initially looked into whether we could consider the complaint. He concluded that as the final response relating to the issue of multiple payments being taken in July 2022 had been issued more than six months before R contacted us, we couldn't consider that issue. The Investigator went on to consider the remainder of the complaint, which he recommended be upheld in part. He concluded that Barclays had not communicated effectively or treated R fairly, and so concluded the loan account should be moved out of Recoveries and an affordable payment arrangement put in place for the arrears. In addition, the Investigator considered Barclays should pay R a further £250 compensation for the difficulties its actions had caused R.

Barclays responded and confirmed that there was no requirement for it to provide a customer with an expiry date in a Formal Demand, as where an account has defaulted, a lender is entitled to ask for immediate repayment. It also confirmed that the arrears had only resulted in online banking access being restricted to the loan account, which had no material impact on R, given the status of the account. In addition, Barclays said that it could find no evidence that R had been told it could not enter into a payment arrangement for the arrears while the complaint was ongoing. Rather, R had been told the restrictions could not be removed and it would need to engage with the Recoveries department that was managing the account. Had R wanted to set up a payment arrangement, it could have done so with Recoveries or it could have made manual payments to the account.

The Investigator reconsidered the complaint in light of Barclays' comments and some additional information it provided. He concluded that Barclays had not needed to set an expiry date on the Formal Demand and as R had been warned twice in January 2023 that online access could be restricted, it should reasonably have been aware that might happen. The Investigator also highlighted that access had only been removed for the loan account due to the arrears. However, the Investigator considered that when R spoke to Barclays in March 2023, it should have been given the option of ad-hoc manual payments being made toward the arrears, but that didn't happen. The Investigator considered that it should have happened and as such, R hadn't been provided with the service it could reasonably have expected. He recommended that Barclays pay R £250 for the inconvenience this would have caused.

Barclays confirmed that R could already make ad-hoc payments to the loan in the event it wanted to. It also agreed to pay the £250 compensation.

R asked whether its account would be being removed from Recoveries and its ability to bank would be restored to what it had been prior to March 2023. It said that if that was the case, it was happy to accept the redress.

Barclays confirmed that as the loan was in default and a Formal Demand had been made, R would need to either refinance the property or sell it to pay the bank back. This was conveyed to R and it requested that the complaint be referred to an Ombudsman.

Following the complaint being passed to me I asked Barclays for its policy or guidance documentation to evidence that once an account was passed to Recoveries, Barclays would no longer accept payment proposals, and would only accept full repayment of the loan. It provided documentation evidencing that it had the right to ask for full repayment of the account in certain circumstances, but it didn't provide the evidence requested. It also didn't explain why R's request to arrange a payment arrangement in 2023 was treated differently from a similar request in 2022, other than a different department dealing with it.

I issued a provisional decision on 26 July 2024, in which I set out my conclusions regarding this complaint and my reasons for reaching them. Below is an excerpt.

'At each stage of our process we consider our jurisdiction to consider the complaint. I agree with the Investigator that the part of the complaint about the multiple payments taken in July 2022 falls outside our jurisdiction as it was referred to us more than six months after the final response letter, and there were no exceptional circumstances that would cause me to waive the time limit.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Barclays agreed a payment arrangement with R to deal with the arrears on the account, as I would expect it to have done. When R failed to make the payments it had agreed to under the arrangement, and in some months also failed to make the basic CMP, Barclays wrote to R when payments were missed and to inform it that the plan had failed. It told R it needed to get in touch to discuss the situation, but R didn't do so. Barclays then tried calling R at the beginning of February 2023 and left a message asking the partner it had called to return the call, but he didn't.

While I note that Barclays sent a letter in the middle of January 2023 that gave an incorrect arrears figure, it is clear from the March 2023 telephone recordings of conversations with one of the partners that R was aware the amount quoted was wrong and what the correct amount was. While being sent incorrect information was poor service on Barclay's part, I am satisfied that it caused R very little inconvenience and the £100 Barclays paid as compensation was appropriate in the circumstances.

I also think Barclays made reasonable efforts to open a dialogue with R from September 2022 before it took action to issue the Formal Demand in February 2023. It kept R informed of the situation and it asked it to get in touch, but R didn't do so. As the arrears balance was not being addressed and R was not interacting with Barclays, I don't think it was unreasonable for Barclays to issue the Formal Demand.

Barclays has correctly stated that it doesn't have to include an expiry date in the formal demand, as it is requiring the funds to be paid immediately. However, when it issued the same document to R around six months earlier, it had issued a time limit to one of the partners, presumably to ensure it the demand elicited a response. It is also clear from Barclays' comments that internally the Formal Demand had an expiry date. Barclays hasn't provided an explanation as to why it acted differently in February 2023 and chose not to

inform R of the expiry date. I think, reasonably, this could be considered a service failing on Barclays' part.

R contacted Barclays just over a month later when it realised that restrictions had been placed on its current account and the loan account, which meant it could not access them through online banking. R had been told within the missed payment letters that such restrictions could be placed on its accounts and, as a way of making R contact the bank, those restrictions do appear to have worked where other means did not. I can't fault Barclays for taking this action.

That said, while Barclays warned R that it could restrict access to its accounts, this was only documented as a possibility in the correspondence provided. While I know that R's loan is a commercial account, Barclays is still required to treat it fairly and I think in order for it to have done so, it should have notified it of what restrictions it was putting in place, when they would be removed and, if appropriate, what R needed to do to have them removed.

I also note that on 14 March 2023 R confirmed that it wanted to set up a new payment plan to deal with the arrears. R was told that it would need to speak to Recoveries to discuss that option. It was told this on 14 and 17 March 2023, but it doesn't appear to have contacted that department. Rather it has said that it was told it could not set up a plan while there was an outstanding complaint. As I have indicated above, there were few conversations between R and Barclays between the complaint being raised on 14 March 2023 and Barclays' response at the beginning of August 2023. In none of those calls is there any indication that R was told that it could not set up a payment arrangement while there was a complaint outstanding.

That said, R has maintained throughout that it wants to keep its banking relationship with Barclays going and that it wants to come to an arrangement to clear the arrears. Whether that would have been possible and if it was, R would have been able to maintain the arrangement, isn't something that I can determine. Until the last correspondence with Barclays there was the implication that R had the option to speak to Barclays about setting up an arrangement to clear the arrears. Barclays has now effectively said that once the account went to Recoveries, that was no longer an option and yet it didn't tell R that was the case. When Barclays was asked to provide evidence to support this stance in the form of its policy or guidance, it was unable to do so. Nor did it provide an explanation of why, when it issued a formal notice in 2022 it allowed a payment arrangement, but it will not do so following issuing the same notification in 2023.

While R is a commercial entity that doesn't mean that Barclays doesn't need to treat it fairly. Overall, I am not currently persuaded that Barclays has treated R fairly in relation to refusing to even consider its proposals to deal with the arrears on the loan account simply because the management of the account was transferred to a certain department. That said, it is also clear that R has not been proactive in pursuing such an arrangement.

In order to resolve this complaint, I consider that Barclays should allow R to put forward its repayment proposals for the arrears on the loan account, and it should consider them in line with its normal processes for such matters. If an agreement can be reached, it will be up to Barclays where within its organisation the account is managed going forward.

Irrespective of the outcome of the above proposal, I consider that Barclays should pay R compensation for the inconvenience its poor service and mixed messages has caused it. It has already paid £100 and I agree with the Investigator that a further £250 would be appropriate in the circumstances.'

Barclays accepted my provisional decision. It highlighted that when R presents a repayment plan it would need to evidence affordability by the provision of a budget planner.

R reiterated its comments about having wanted to address the arrears and that this had not happened because of Barclays actions. It commented on the content of calls that had been provided to it and it also put forward that Barclays' attitude toward the situation had not been what it should have been and that this had caused a lot of stress for the owners.

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 have reviewed the file again in its entirety, along with R's most recent comments and I have revisited my provisional decision. Having done so, my conclusions have not changed and I remain satisfied the complaint should be upheld.

Putting things right

In settlement of the complaint, Barclays should:

- consider in line with its normal processes any repayment proposals R puts forward to address the arrears on the account.
- pay R £250 for the inconvenience the poor service and mixed messages it received.

My final decision

My decision is that I uphold this complaint in part. In full and final settlement of the complaint, I order Barclays Bank UK PLC to complete the actions detailed in 'putting things right' above.

Under the rules of the Financial Ombudsman Service, I am required to ask R to accept or reject my decision before 13 September 2024.

Derry Baxter
Ombudsman