

The complaint

Mrs G complains as a sole trader that Barclays Bank UK PLC unfairly deprived her of the opportunity to take up the Pay As You Grow ("PAYG") options she was entitled to under the Bounce Back Loan ("BBL") Scheme, due to a systems error.

What happened

Mrs G took out a £25,000 BBL in January 2022 for her sole trader business. Under the BBL scheme, no repayments were required in the first year, so the first repayment was due in February 2023.

Mrs G told us:

- She phoned the bank in January 2023 to arrange a six month repayment holiday and a term extension. Both these options should have been available under PAYG.
- There was a problem and the bank couldn't arrange this for her. She tried several times by phone and also visited a branch, who also couldn't help.
- In March 2023, she complained, but Barclays didn't respond except with holding letters for many months. So in July 2023, she asked the Financial Ombudsman to look into what had happened.

Barclays said:

- Mrs G first contacted them on 9 February 2023 about setting up PAYG options. They told her that this wouldn't be in time for the February 2023 repayment, but could be set up from March.
- Mrs G rang several further times in March 2023, but there was a systems problem that prevented the PAYG options being put in place.
- It took them until August 2023 to resolve the problem and respond to her complaint.
- In August 2023, Mrs G was able to apply for PAYG.
- They had offered to backdate the six months PAYG repayment holiday to March 2023, which was the earliest Mrs G could have put it in place when she rang in February.
- They had offered her £200 for the inconvenience caused by their systems problem.

Mrs G did not accept the bank's offer to put things right. She originally told us she wanted the six month repayment holiday from February, as well as a ten year term extension. She also thought the bank should correct her credit file so it didn't show arrears from February 2023.

More recently, Mrs G said that she would like to “arrange a fresh repayment plan considering my payment affordability”.

I issued a provisional decision on 16 April 2024. I provisionally upheld Mrs G’s complaint, but I didn’t think that reconstructing the BBL would be the fairest outcome for Mrs G. I said, in summary:

- Both parties agreed that there was a bank error, which led to Mrs G not being able to put in place the PAYG option she wanted.
- Disputes remained about the date when Mrs G first asked for the PAYG holiday and regarding whether she applied for a term extension.
- I could see no evidence that Mrs G contacted the bank before 9 February 2023 about a repayment holiday. I have seen a transcript of that call and Mrs G does not mention having already phoned about the BBL and I think it’s more likely than not she would have mentioned it were that the case.
- I agreed with the bank that, even if things had gone correctly at that stage, the 9 February was not in time to put in place the holiday with effect from February 2023’s repayment. So I think the bank’s position on that point is reasonable.
- Having reviewed all the evidence, I could see that the bank’s records of Mrs G’s call on 21 March 2023 clearly mention a PAYG term extension. So I didn’t think it was fair to say Mrs G had never mentioned this until recently.
- I thought it more likely than not that Mrs G would have put in place the term extension as well as the six month holiday, if Barclays hadn’t prevented her from doing so.
- Generally, our approach in such a situation would be to require the bank to reconstruct the loan so as to put things back in the position they’d be in without the bank’s error. So, if I were to follow our usual approach, I would direct Barclays retrospectively to apply a six-month repayment holiday and a term extension to Mrs G’s BBL from March 2023.
- I realised that this is the outcome Mrs G said she wanted when she referred her complaint to the Financial Ombudsman. But, if I were to do that, then Mrs G would now be expected to start making full loan repayments, as well as make up all the arrears of capital and interest since September 2023 when the six-month period would have ended. So a reconstructed loan would mean larger payments in the short term and a longer commitment due to the term extension, with ultimately more to pay overall.
- If, after this reset, Mrs G were to fail to meet the repayments and clear the arrears and therefore end up with the BBL in default again, she would be in a worse position, with an impaired credit file for a longer period.
- I was unsure whether Mrs G’s business was currently trading, but she had never made a repayment to the BBL and she had told us more than once that she wants to arrange an affordable repayment plan. My conclusion was therefore that reconstructing the loan might not be the fairest outcome for Mrs G.

- My understanding was that Mrs G's BBL was currently with Barclays' recoveries department, who can offer support to businesses experiencing financial difficulties. So, I thought the best course of action was for both parties to engage to agree a mutually acceptable repayment plan for the BBL, having given due consideration to what Mrs G can currently afford. This might include retrospectively applying PAYG options – or applying PAYG options in the future – but I was not minded to mandate this approach.
- I thought it was clear the difficulties experienced in making the application were a cause of distress and inconvenience to Mrs G. She has spoken about the mental pressure she has been under. Barclays had left Mrs G with her loan in limbo, unable to exercise the options she was entitled to, from February until August 2023. The bank has offered £200 to recognise of the impact of their error. I'm not convinced this is sufficient in the circumstances, so I intended to increase it to £300.

Barclays accepted my provisional decision.

Mrs G responded to say that she had tried to contact the bank to arrange an affordable repayment plan but had been told that her BBL had been sold to an external debt collection agency. She questioned whether the bank should have taken this action while her complaint was still with our service and also how the bank could justify the damage to her credit record.

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, and in the absence of any real disagreement with my provisional decision, I haven't changed my provisional view. I am going to direct the bank to pay compensation for the distress they caused, but I don't think it would be the right outcome for Mrs G to reconstruct the loan, given that she wants to agree an affordable repayment plan.

Although banks sometimes agree to put recovery processes on hold while complaints are with us, Barclays are entitled to continue their standard process and outsource Mrs G's loan to a third party debt collection agency. Mrs G has not made any payments to her loan while we've been looking into things, so I can't say the bank has done anything wrong by applying the same approach to her account as to others.

I have thought about whether I should direct the bank to take the loan back in-house, but it would make no real practical difference to Mrs G whether she engages with Barclays or the debt collection agency to agree her repayment plan. I say this because the debt collectors have the same powers and responsibilities when it comes to agreeing a plan. And it won't make any difference to her credit file in either case.

I know Mrs G has queried the damage to her credit record, but this record needs to be an accurate reflection of the position of her BBL, which is, as I understand it, that she has not made any repayments to it. As I explained in my provisional decision, I haven't found any evidence that she got in touch with the bank in time to stop the February 2023 loan repayment. So her record should show this as the first payment in arrears.

Putting things right

For the reasons explained above, I am departing from our usual approach in this particular case as I don't think it would be in Mrs G's best interests to apply the repayment holiday and term extension retrospectively. Mrs G has not disagreed with this conclusion in her response to my provisional decision.

I think it's clear the difficulties experienced in making the application were a cause of distress and inconvenience to Mrs G. She has spoken about the mental pressure she has been under. Barclays left her with her loan in limbo, unable to exercise the options she was entitled to, from February until August 2023. I am directing the bank to pay Mrs G £300 in compensation for this error.

My final decision

I uphold this complaint and direct Barclays Bank UK PLC to pay Mrs G £300 in compensation for their errors.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 12 June 2024.

Louise Bardell
Ombudsman