

The complaint

Mr P, a sole trader, is unhappy that Barclays Bank UK PLC withdrew an agreed Pay As You Grow ("PAYG") payment deferral option from their Bounce Back Loan ("BBL").

What happened

In May 2020, Mr P successfully applied to Barclays for a BBL, and he received the loan funds shortly thereafter. The terms of the BBL included that Mr P was required to make monthly payments towards the loan from June 2021 onwards. But Mr P didn't make the June 2021 payment as he was contractually required to, and so the loan fell into arrears.

Shortly afterwards, in July 2021, Mr P successfully applied to Barclays for a six-month capital and interest repayment holiday, whereby he wouldn't be required to make further payments to the loan until January 2022. However, Mr P didn't clear the June 2021 payment that he'd missed, and so the BBL remained in a position of arrears.

In December 2021, with the capital and interest PAYG plan coming to an end, Mr P applied for a further PAYG plan, whereby he would only be liable to pay the monthly interest that accrued on the BBL for six months, from January 2022 until June 2022. Barclays accepted the further PAYG plan, but Mr P didn't make all the interest payments as required of him by the plan, and so the BBL fell further into arrears.

In July 2022, with the second PAYG plan having come to an end, so that Mr P was again required to make full monthly payments to the loan, Mr P applied for an extension of the interest-only PAYG plan for a further six months – until December 2022.

Barclays initially accepted Mr P's application, but upon review they decided to withdraw this third PAYG plan from Mr P's BBL. Mr P wasn't happy about this, especially as Barclays didn't formally notify him that they had removed the PAYG plan from his BBL and because they now expected him to resume making full payments towards the loan and considered his BBL to be approximately £2,000 in arrears. Furthermore, because Mr P couldn't make the full BBL payments in the following months, Barclays issued a formal demand for full repayment of the BBL and subsequently defaulted the account. So, Mr P raised a complaint.

Barclays responded to Mr P and explained they didn't feel they'd done anything wrong by administering his BBL as they had, including withdrawing the third PAYG plan in July 2022. But Barclays did accept that they hadn't informed Mr P about the removal of the PAYG plan as quickly as they should have done. Mr P wasn't satisfied with Barclays' response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Barclays had acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Mr P remained dissatisfied, so the matter 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.

Having done so, I'm not convinced that Mr P was eligible to apply for the BBL under consideration here. I say this because Mr P also successfully applied to Barclays for two other BBL's on a limited company basis, with one of those limited companies being a subsidiary of the other, and with one of those limited companies being of an identical name to Mr P's sole trader trading name.

However, rather than conducting an investigation into the trading income of Mr P's two limited companies and his sole trader business in the period preceding the BBL applications in 2020 – which I would need to do in order to confirm whether Mr P was or wasn't eligible to apply for this BBL on a sole trader basis – I've decided to proceed with my assessment here as if Mr P as a sole trader was an eligible applicant.

I've taken this decision because, having considered all the information available to me here, I don't feel that Barclays did act unfairly by withdrawing the third PAYG plan from Mr P's sole trader BBL as they did. And so, regardless of whether Mr P was or wasn't eligible to receive the sole trader BBL, I won't be upholding the merits of this complaint.

When Mr P accepted the BBL agreement and received the loan funds, he agreed to the terms of that agreement. And these terms included that Mr P was contractually required to make payments towards the BBL and would be considered to have defaulted on the loan agreement if he did not.

In this instance, Mr P didn't make the first BBL payment that he was contractually required to make in June 2021. This meant that Mr P's sole trader BBL was in a position of arrears from the onset of his payment obligations. And because Mr P didn't act to clear the missed payment that took place in June 2021, his BBL remained in arrears from that point until it was eventually defaulted by Barclays in January 2023.

Additionally, while Mr P did benefit from an interest only PAYG plan on his BBL, he didn't make all the interest payments that were contractually required of him by that plan, meaning that his loan fell further into arrears.

It therefore seems reasonable to me that Barclays would, upon review, be unwilling to allow Mr P to benefit from an extension of that interest only PAYG plan – because Mr P had already demonstrated that he was unwilling or unable to meet the terms of that plan because he had failed to make all the interest only payments that were contractually required of him by the earlier interest only PAYG plan.

I'm aware that Mr P is unhappy because he's awaiting the conclusion of a legal challenge which he feels would allow him to clear the BBL arrears and remaining balance in full. But the BBL is a formal agreement which includes contractual payment obligations on Mr P. And I don't feel it's reasonable to expect Barclays to suspend the terms of the loan for an indefinite period pending the result of a legal challenge which may or may not conclude either soon or in Mr P's favour. And I'm satisfied that the terms of the BBL which Mr P accepted, including the payment obligations, should fairly form the basis of Barclays expectations towards Mr P.

This isn't to say that Barclays acted entirely without error here. But the mistake that Barclays made was accepting Mr P's application to extend the interest only PAYG plan in the first instance – which they reasonably should have declined for the reasons already explained in this letter. Barclays accepted this point in their response to Mr P's complaint. And they noted that they had accepted this point in relation to Mr P's other complaints – about the two other BBLs which he took for his two limited companies. Barclays also noted that they had offered

to pay £150 to Mr P in one of their other responses and felt that because of the eligibility concerns surrounding the number of BBLs that Mr P had applied for, that this one offer of £150 was fairly put forwards by them in regard to all three of Mr P's complaints.

Barclays position here seems reasonable to me. And while Mr P may argue that Barclays accepted his three separate BBL applications, it must be remembered that the BBL scheme was self-attested. This means that it was the applicants' responsibility to have understood the eligibility criteria of the scheme before applying for a BBL. And this also means that Mr P attested during his applications that he met the eligibility criteria of the BBL scheme such that he was eligible to apply. And because of this I'm satisfied that any inconvenience or trouble Mr P has incurred surrounding his potential ineligibility to have received three BBLs are consequences that Mr P should be considered as accountable and responsible for.

All of which means that I don't feel Barclays have done anything wrong or acted unfairly here, and it follows from this that I won't be upholding this complaint or instructing Barclays to take any further or alternative action.

In short, this is because if Mr P was eligible to receive the sole trader BBL under consideration here, he didn't meet the repayment obligations as he was contractually required to as per the BBL agreement. And because of this I don't feel that Barclays acted unfairly by withdrawing the PAYG extension they reasonably shouldn't have agreed in the first instance, or by then following the account arrears process that they did – including, ultimately, the defaulting of Mr P's sole trader BBL.

I realise this won't be the outcome Mr P was wanting. But I hope that he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 11 December 2023.

Paul Cooper
Ombudsman