

The complaint

Mr A, a sole trader, is unhappy that Barclays Bank UK PLC defaulted his Bounce Back Loan (“BBL”) while he was in a payment holiday.

What happened

Mr A successfully applied to Barclays for a BBL in November 2020 and received the loan funds that same month. Monthly payments towards the BBL began in December 2021.

In April 2021, Mr A spoke with Barclays and agreed a six-month Pay As You Grow (“PAYG”) repayment holiday. However, Mr A later discovered that Barclays had defaulted his BBL for non-payment in June 2021 – while the PAYG payment holiday was in force. Mr A wasn’t happy about this, so he raised a complaint.

Barclays responded to Mr A and explained that he had already missed three payments towards the BBL before the PAYG payment holiday had been put in place. And Barclays also said that it had been explained to Mr A when he applied for the payment holiday that he would need to come to an arrangement with them to clear the outstanding BBL arrears – which Mr A didn’t do – or the loan could be defaulted for non-payment. Mr A wasn’t satisfied with Barclays’ response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they felt that Barclays’ explanation to Mr A had been accurate. And because of this they didn’t feel that Barclays had acted unfairly in how they’d managed the situation. Mr A 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’d like to begin by confirming that this service isn’t a regulatory body or a Court of Law and doesn’t operate as such. Instead, this service is an informal, impartial dispute resolution service. And while we do take relevant law and regulation into account when arriving at our decisions, our remit is focussed on determining whether we feel a fair or unfair outcome has occurred – from an impartial perspective, after taking all the factors and circumstances of a complaint into consideration.

I also note that Mr A has provided several detailed submissions to this service regarding his complaint. I’d like to thank Mr A for these submissions, and I hope he doesn’t consider it a discourtesy that I won’t be responding in similar detail here. Instead, I’ve focussed on what I consider to be the key aspects of this complaint, in line with this service’s role as an informal dispute resolution service.

This means that if Mr A notes that I haven’t addressed a specific point he’s raised, it shouldn’t be taken from this that I haven’t considered that point – I can confirm that I’ve read and considered all the submissions provided by both Mr A and Barclays. Rather, it should be

taken that I have considered that point but that I don't feel it necessary to address it directly in this letter to arrive at what I consider to be a fair resolution to this complaint.

When Mr A took the BBL, the monthly payments were set to be paid from his business current account ("BCA") which he also held with Barclays. And the BBL statements show that Mr A did make the first two scheduled BBL payments – In December 2021 and January 2022 – by direct debit from his BCA.

But Mr A didn't make the February 2022 BBL payment, with the direct debit being returned because of a lack of available funds in the BCA. And following this, Mr A cancelled the direct debit that was set up to make the BBL payments from the BCA, and he didn't make any subsequent BBL payments by any other means.

This meant that when the PAYG payment deferral plan was set up for Mr A, following a phone call between Barclays and himself in April 2022, Mr A's BBL was already three months in arrears. And Barclays records confirm that it was explained to Mr A at that time that while no further payments would be required on the loan for the next six months, Mr A was expected to come to an arrangement with Barclays to clear the three months of arrears that had already accrued on the BBL at that time. And Barclays further explained to Mr A on the phone call in April 2022 that if he didn't come to an arrangement to clear the BBL arrears, the loan might be defaulted for non-payment.

Barclays explanation to Mr A on this matter seems reasonable to me. This is because I feel that it would be expected that a bank would look to default an account when the account holder has failed to meet their payment obligations as per the credit agreement and would generally do so when the arrears on the account have built up to an unacceptable level – which is most often when the account holder is between three and six months in arrears.

As such, I'm satisfied that it was reasonable for Barclays to have required Mr A to come to an arrangement to clear the arrears on the BBL. And I note that when Mr A didn't come to an arrangement with them to do so, that Barclays issued a formal demand to him on 12 May 2022 which gave Mr A until 9 June 2022 to clear the arrears that were present on the BBL. And given that I'm satisfied that Barclays were acting as would be reasonably expected of them in this regard, I'm consequently satisfied that they weren't acting unfairly.

I'm also satisfied that Barclays did make their position clear to Mr A, including that his BBL might be defaulted if he didn't contact them to come to an arrangement to clear the account arrears, both in the telephone conversation they had with him and in the formal demand notice they sent to him in May 2022.

Mr A has said that he didn't understand what he was being told by Barclays during the April 2022 telephone call. But having reviewed a full transcript of the telephone call I feel that Mr A did understand what was being explained to him. And I note that during the call Mr A said that he felt a solicitor would tell him that he wasn't required to repay the loan and noted that if Barclays did commence recovery action against him for the BBL balance that they wouldn't be able to touch his car or personal possessions.

Furthermore, if Mr A didn't understand what he was being told by Barclays, then I feel that this was a failing on Mr A's part and not anything for which I would consider holding Barclays accountable for. This is because it was Mr A's responsibility, as the BBL account holder, to have understood the terms of the loan that he had applied for. And this includes any potential recovery action that might take place if he didn't make the contractually required loan payments that Mr A consented to when accepting the BBL agreement.

Mr A has also said that he didn't receive the letters Barclays were sending to him about the BBL. But I'm satisfied that Barclays sent the letters to Mr A's correct address – the address

which Mr A has himself provided to this service. And this service wouldn't hold a business accountable for the non-delivery of correctly addressed letters, given that the delivery of letters is undertaken by a postal service over which a business has no direct control.

Also, the non-receipt of letters from Barclays doesn't absolve Mr A of his responsibilities as the BBL account holder to have understood the position of the loan and to have met his contractual payment requirements towards it. And given that Mr A cancelled the direct debit that was set up to make payments to the BBL following the first missed payment in February 2022, and had several conversations with Barclays about the loan, I'm satisfied that he was aware that the BBL was in arrears.

And I'm also satisfied, as previously explained, that Barclays did clearly explain to Mr A, during the phone call in April 2022, that unless he came to an arrangement to clear the arrears on the BBL, the loan might be defaulted for non-payment in the near future.

All of which means that I'm satisfied that Barclays haven't done anything wrong or acted unfairly in how they've administered Mr A's BBL, including how they defaulted it for non-payment. And I feel it was the non-payment of the BBL and the actions of Mr A – who I don't feel has reasonably met his responsibilities as the BBL account holder, despite being kept clearly informed of the position of the loan by Barclays – which has led to the BBL being fairly defaulted by Barclays.

Mr A has also said that Barclays didn't inform him when he applied for the BBL about the recovery action that could be taken against him if he didn't make the loan payments. But this information was included in the BBL application that Mr A submitted and also in the BBL agreement which he signed and accepted. And given the unique circumstances that surrounded the BBL scheme, it was the responsibility of applicants such as Mr A to have understood the terms of the loan for which they were applying.

I also feel that it's one of the basic tenets of borrowing that borrowed money has to be repaid and that action might be taken by a lender against a borrower who doesn't repay the money that they've borrowed and which they owe. And if it were the case that Mr A was of the understanding that he wouldn't be required to repay the BBL as per the contractual terms that he'd agreed to, then this understanding was incorrect.

Mr A is also unhappy that Barclays also made the decision to close his BCA. But in much the same way as a customer can choose to leave a bank, so a bank is able to choose to no longer provide its services to a customer and to close their accounts.

Barclays' right in this regard is stated in the terms and conditions of the BCA, which confirm that Barclays can take such action immediately and without the provision of prior notice under certain conditions. And one of these conditions is where Barclays reasonably believe that Mr A would be unlikely to be unable to pay debts owed to the bank when those debts become due.

In this instance, Mr A's BBL had been defaulted for non-payment and his BCA had become overdrawn without an agreed overdraft facility in place. Additionally, Mr A wasn't engaging with Barclays about his situation as per their requirements – for instance, by providing the income and expenditure information Barclays asked him for which may have enabled them to provide some alternative support to him. And because of this, I think it was reasonable for Barclays to believe that Mr A's financial position had deteriorated such that the invoking of the clause referenced above, to affect the immediate closure of the BCA, was fair.

Finally, Mr A is unhappy that Barclays have passed his debt to a debt collection agency who are now contacting Mr A. But the transferal of debt to a debt collection agency is a common

practice and one which is addressed and permitted by the terms of the BBL agreement – specifically, section 18 – which Mr A agreed and consented to when he took the loan. And Barclays didn't require any further authorisation from Mr A beyond this to transfer the debt to a debt collection agency as they did.

All of which isn't to say that Mr A wasn't in a difficult financial position in 2022 which led to him being unable to meet his BBL payment commitments. But it is to say that lenders such as Barclays weren't and aren't expected to provide financial support to a customer in financial difficulty indefinitely.

It's also to say that I feel that Barclays did provide support to Mr A, in the way that would be expected of them, and gave a fair opportunity for Mr A to engage with them and come to a reasonable arrangement with them. Finally, I'm satisfied that Barclays did clearly explain to Mr A the potential consequences of his not coming to an arrangement to clear his arrears with them, and that Barclays acted fairly in defaulting Mr A's BBL when he failed to do so.

I realise this won't be the outcome Mr A was wanting, but it follows from all the above that I won't be upholding this complaint or instructing Barclays to take any further action. I hope that Mr A will understand, given what I've explained, why I've made the final decision 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 A to accept or reject my decision before 19 October 2023.

Paul Cooper
Ombudsman