

## **The complaint**

A limited company, which I'll refer to as F, complains that Barclays Bank UK PLC unfairly turned down its request for a loan under the Government's Recovery Loan Scheme ("RLS").

F is represented by its director, Mr F.

## **What happened**

F applied for a Recovery Loan in May 2021. Its application was declined and in April 2022, it applied again for a £250,000 loan.

Barclays said that, under the scheme rules, maximum borrowing levels were based on turnover or wages bills. F revised its request down to a £62,000 loan based on its latest wages bill. But Barclays still declined to offer the loan.

Mr F complained that it was unfair to turn down F's loan. Barclays didn't uphold his complaint and Mr F referred it to the Financial Ombudsman.

One of our investigators looked into what had happened, but didn't think that Barclays had acted unfairly. Mr F disagreed and asked for an ombudsman to look at the matter again. He said, in summary

- He met all the eligibility criteria for the RLS.
- He considered that Barclays had declined his application because of a conflict of interest. That was because they were already lending to him at higher rates and didn't want him to refinance on to the lower RLS rate.
- The criteria didn't say that a company had to be making a profit. Many companies didn't make profits for years without being in distress.
- Barclays had put him through a lot of trauma, including closing F's current account.
- The Government had been proactive and supportive, but Barclays had decided to frustrate his business.

## **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 sorry to disappoint Mr F, but I haven't seen any evidence that Barclays breached any guidelines by declining F's Recovery Loan. Nor do I consider the bank behaved unfairly by doing so.

Like the Bounce Back Loan Scheme ("BBLS"), which I understand F had already used, the RLS was designed to provide financial support to businesses that were suffering cashflow

problems as a result of the pandemic. But unlike the BBL, with Recovery Loans, the British Business Bank chose to include a viability test in the scheme requirements.

Lenders were not obliged to offer Recovery Loans. In fact, they were obliged to carry out a lending assessment and although there was a 70% Government guarantee, banks were not supposed to rely on this when making credit decisions but rather to look for viable propositions. Banks were thus left with considerable discretion under this scheme.

As our investigator pointed out, the scheme had limits on the amount that could be borrowed as a proportion of turnover or wages bill. F's turnover didn't come anywhere near supporting borrowing of £250,000. The bank then enquired about F's wages bill, which Mr F said was around £31,000. Borrowers were allowed to apply to borrow double this, so F revised its request down to £62,000. But this amount remained at Barclays' discretion.

Mr F has pointed out that some start-up companies don't make profits for many years, without being in distress. I agree, but banks are expected to lend responsibly and Barclays had in my view legitimate concerns about F's ability to repay its borrowing, which already included a BBL. Servicing this amount of debt would have been challenging and given that F had never made a profit, it is difficult to see how it could have demonstrated its ability to repay. Nonetheless, Barclays' records show that the bank's agent did offer to review things further if Mr F provided F's accounts, which I think was fair. I can't see that any further information was ever provided by Mr F after that point.

I know Mr F feels very strongly that Barclays had a conflict of interest in his case, because he had existing borrowing with them at higher interest rates. As far as I can see this other debt was mostly personal borrowing in his sole name. I haven't seen any evidence that this was part of Barclays' considerations at any point in F's lending request.

I'm conscious that Barclays chose to participate in the RLS, so I think it's reasonable to conclude that they were prepared to lend money at the RLS rates where they considered there to be a viable lending proposal. Overall, I haven't been persuaded that interest rates were part of Barclays' considerations when turning down F's application.

In summary, the RLS scheme required Barclays to make their own lending decisions. I haven't seen any evidence that Barclays made any errors in their handling of F's application or failed to give it fair consideration.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 21 December 2023.

Louise Bardell  
**Ombudsman**