

The complaint

Ms A is a sole trader. She complains that Barclays Bank UK PLC acted unfairly in relation to her Coronavirus Business Interruption Loan ("CBIL") by mislaying and denying receipt of a letter asking for help with repayments. She says this led to the CBIL going into arrears and prevented her from being able to set up a repayment holiday or other arrangement to pay.

Ms A has a representative in making this complaint. For ease of reading, I will refer to any comments from her representative as being from Ms A.

What happened

In March 2021, Ms A took out a £68,000 CBIL in order to repay her existing Bounce Back Loan and provide additional working capital for her business. No repayments were due for the first twelve months.

Ms A told us:

- On 16 March 2022, she sent Barclays a letter by recorded delivery. The letter said her business had taken longer than expected to recover and it might be a further twelve months before she could afford to start repayments. She asked for the bank's help with this.
- Barclays kept saying they hadn't received the letter (even though she had proof of receipt). She had, however, spoken to one person at the bank who confirmed it had been received and then mislaid.
- It wasn't until the end of April that Barclays admitted they had the letter. By then, the CBIL was in arrears and they said she'd need to bring it up to date before she could have any kind of repayment plan.

Barclays said:

- They didn't receive the letter until 26 April, by which time Ms A's CBIL was in arrears.
- They contacted Ms A on 26 April. She then made a complaint about the lack of response to her letter. They sent her a budget planner to complete and informed her that the only option for altering repayments was a term extension.
- On 27 May 2022, Ms A phoned and spoke to their Business Support department. They explained that she would need to make up the arrears on the CBIL before a term extension could be agreed.

Ms A complained several times to Barclays. She said the arrears only existed because Barclays hadn't responded to her letter of 16 March, which she had sent in good time before repayments became due. She wanted Barclays to put the loan back to how it was before the arrears and put in place a repayment holiday.

Barclays accepted that their customer service had been poor and paid Ms A compensation of first £50 and then a further £75 for this. But they didn't think the loan arrears were their fault. They maintained the position that they weren't prepared to agree any form of repayment plan or extension until the arrears were cleared.

Ms A remained dissatisfied so she referred her complaint to the Financial Ombudsman.

One of our investigators looked into what had happened, but he didn't consider Barclays needed to take any further action. He didn't think Ms A could reasonably have assumed that a repayment plan was in place from March, nor did he think he could say the bank should have put one in place.

Ms A disagreed and asked for an ombudsman to look at the matter again. She made the following points, in summary:

- The main complaint was that Barclays had denied receipt of the letter.
- Ms A had phoned several times in March 2022, but on each occasion, Barclays had said they didn't have the letter, which was untrue.
- If Barclays had dealt with her letter properly, there would be no arrears (because a capital repayment holiday would have been put in place).
- Barclays had denied her the chance of a repayment holiday, even if they weren't obligated to agree to one.
- Barclays' website clearly says that capital repayment holidays for CBILs are an option.
- Someone at Barclays had told Ms A that, had the letter been received in time (which in fact it was), they would have been able to offer her a term extension.
- While the complaint was with our service, the bank had also repeatedly threatened her with debt collectors and closing her current account.

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 Ms A but I don't think Barclays needs to do anything further to put things right. I'll explain why.

First, I would like to say that I accept Ms A's evidence regarding the letter. I have seen the Post Office proof of delivery, from which I'm satisfied that the letter was delivered to Barclays on 17 March 2022. It follows that, whilst the exact circumstances remain unclear, I consider Barclays made some kind of error between then and the 26 April. The result of this was Barclays saying they didn't have the letter whenever Ms A tried to contact them between those dates, which I can only imagine was extremely frustrating.

The decision for me is then is what is likely to have been the consequence of this error. Ms A's argument is that, were it not for bank's error in mislaying her letter, Barclays would have agreed to a capital repayment holiday in March 2022 before any arrears accumulated.

Some background to the various coronavirus loan schemes is relevant here. These schemes

are administered by a body called the British Business Bank. Ms A had already used one of the other loan schemes, the Bounce Bank Loan Scheme ("BBLs"). She then wanted to top it up to a higher level than the maximum permitted under that scheme, so she refinanced onto a CBIL.

In September 2020, the government announced a range of measures designed to give borrowers more time and greater flexibility to repay loans taken out under the loan schemes. Most of these measures applied only to the 100% government-backed BBLs, where a set of options known as Pay As You Grow ("PAYG") were put in place, which had to be provided by lenders automatically on demand.

For CBILs, the only forbearance option I have seen mentioned by the British Business Bank was a term extension – that is, reducing monthly repayments by paying them over a longer period of up to ten years (from an original maximum of five years, plus one year repayment free). But even this option was at the discretion of the bank and not subject to automatic eligibility like PAYG.

I have looked carefully at what Ms A said in her letter sent on 16 March. The main part of this said:

"...it may be twelve months before I can afford to start repaying this loan. Is this something you can help me with, and if so, how would it work? In the meantime, would you need a nominal minimum monthly payment or can this be treated as a payment holiday..."

I agree with our investigator that this letter was a request to open a discussion, to which Barclays should have responded. But I haven't seen any evidence that the bank was ever likely to have agreed a repayment holiday, which was clearly what Ms A was hoping for.

I have seen evidence that Barclays have made many attempts to talk to Ms A since 26 April and have urged her to make contact with them. But they have also told her more than once that the only option available to her is an extension of the term of the loan. As I have said, this is in line with the British Business Bank's guidance.

I note that Barclays' communications on the availability of repayment holidays could have been clearer. Ms A refers to an email I haven't seen, which she said promised to let her know "the options available ...to request repayment holidays...". I can also see that Barclays' website still refers to "the option to take capital repayment holidays, so that payments can be matched to income (subject to prior approval)". But even if this option is possible in some cases, it's clear that it would be at the bank's discretion – and Barclays have never suggested it would have been an option for Ms A.

Ms A has said that someone at Barclays told her that, if they had received her letter in time, a term extension would have been agreed. I haven't heard this call and it isn't reflected in Barclays' notes. I think it's more likely that Barclays might have told Ms A that it would have been considered. I'm not persuaded a term extension would have been agreed – and even if it had been, I don't think it would have solved Ms A's problems.

An extension of the term of Ms A's CBIL would still have left her repayments at over £500 a month. I can see that in a later communication, Ms A said she couldn't fill in Barclays' budget planner, because her income was so inconsistent. I also note that she hasn't made any payments to the loan at all. Based on all these factors, I think it's unlikely that an extension of the term of the CBIL would have dealt with Ms A's business' cashflow problems. So even if Barclays had got in touch with Ms A straight away to discuss her options, I don't think I can fairly say that this would have solved her business' difficulties and prevented the loan getting into arrears.

As far as I can see, Barclays has responded to Ms A's complaints at least twice and awarded her compensation of £125 in total for poor service. They haven't been specific about the nature of this poor service. But on balance, given the circumstances, I think £125 is sufficient to compensate Ms A for the bank's error in mislaying her letter for six weeks.

I am aware that Barclays have continued to try and agree a way forward with Ms A. I am not sure what the status of these talks is currently but I can see the bank have been seeking information on current trading performance, which seems reasonable. I would strongly suggest Ms A engages with the bank at this stage.

My final decision

My final decision is that Barclays Bank UK PLC have done enough to put things right, so I'm not going to direct them to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 31 October 2023.

Louise Bardell
Ombudsman