

The complaint

D Ltd, represented by Mrs P, initially complained that Barclays Bank UK plc forced it to convert a business overdraft at 10.5% into a business loan at 20%. Mrs P later changed this, saying that the complaint was that Barclays didn't provide assistance during financial difficulties.

D Ltd wants more compensation than Barclays has offered.

What happened

D Ltd had an overdraft facility of £16,000 on its Barclays account.

In September 2012, Barclays wrote to say that D Ltd had exceeded its agreed overdraft limit, and that it would be at Barclays' discretion whether or not to return unpaid any transactions which would increase this further. The letter said that interest would be charged on the unauthorised part of the overdraft at 29.5%. It said that if D Ltd required help it should contact its relationship manager or drop into any branch.

By 15 January 2013, D Ltd had a debit balance of £18,041.37. The statement for that date shows that the overdraft rate was 10.49%, and the interest rate on the unauthorised borrowing over £16,000 was 29.5%.

In February 2013, Barclays offered D Ltd a 10 year fixed term loan for the amount of the overdraft. The interest rate was 18.98% with monthly repayments around £342.24. When D Ltd drew down the loan, the existing overdraft was cancelled.

In March 2019, D Ltd, represented by Mrs P, complained to Barclays. Mrs P said that she had been experiencing personal financial difficulties in 2012. She said the relationship manager had told her that D Ltd had to pay back the overdraft immediately, and as D Ltd had no other funds, it was forced to take out a loan with a high interest rate to cover the debt.

Barclays replied that in January 2013, its Business Collections team had asked for repayment of the £2,041.37 which exceeded the £16,000 overdraft limit. Barclays said its relationship manager had contacted D Ltd to discuss a loan restructure for this amount, but that Mrs P had said she'd prefer to operate the account without an overdraft facility and had asked her to convert the offer into a loan for the full £18,000. Barclays also replied to a question about a £606.14 credit it had made in June 2018, which was part of a wider remediation programme.

Mrs P wasn't satisfied and sent a long letter to Barclays. Among other points, Mrs P said she'd gone into debt management in May 2012. She said she'd been forced restructuring the overdraft to the higher rate loan. Mrs P said the reason she hadn't contacted Barclays to talk about her financial difficulties was that Barclays' relationship manager had known she was in financial difficulties since at least July 2012.

Barclays reviewed the complaint, but didn't change its original decision. It gave referral rights to this service, and D Ltd, represented by Mrs P, complained to us.

Our investigator didn't initially uphold D Ltd's complaint. She explained that businesses only have to keep information for six years, so it was hard to see exactly what had happened. But she pointed out that just before the loan, D Ltd had been incurring large fees as a result of the unauthorised overdraft – for example over £400 in November 2012 and over £500 in December 2012. So she considered that DF Ltd hadn't been able to manage the overdraft at the time, and the monthly repayments on the loan were less than D Ltd would have been paying. There was no evidence the loan had been forced on D Ltd, and Barclays had offered £473.70 compensation for times when it could have done more to help. And it hadn't applied any interest to the loan between August 2017 and April 2018, which had saved around £1,000.

D Ltd didn't agree, and Mrs P sent a long a detailed objection to the investigator's view. In summary, she said that she wasn't complaining about the loan. She said she was complaining because she hadn't been given a chance to be assessed by Barclays' financial difficulties team. She believed that team could have come up with different options, such as freezing charges and interest on D Ltd's account. Mrs P also sent a copy of a personal Debt Management Plan which she'd signed in April 2012.

The investigator said that although Mrs P's agreement was for her personal debts, she thought it was more likely than not that Mrs P had told her relationship manager about it. The investigator said that a bank didn't have to offer a short-term plan as Mrs P had said. But she did think Barclays should have given further assistance, given that it was likely that it had known about Mrs P's difficulties.

Barclays had paid Mrs P £473.70 for October 2013 to July 2018, when it felt it could have done more, and hadn't charged interest from August 2017 to April 2018, saving around £1,000. So the investigator said Barclays should apply the same logic for the period from April 2012 to October 2013, and calculate compensation accordingly. And it should discuss any alternatives it could, about the outstanding debt.

In its reply to the investigator's view, Barclays commented that the previous refund had been a gesture of goodwill, and not a refund for an error, as its charges had been correctly based on usage of the account. It pointed out that Mrs P's personal debts were legally different from D Ltd's, and said that when Mrs P had been in touch with the relationship manager, she hadn't said the business was in financial difficulty. It had only been from the middle of 2012 that D Ltd had regularly exceeded its overdraft.

Barclays also said that although it could have done more to support D Ltd, it didn't agree that Mrs P had let Barclays know about the company's financial difficulties until Barclays restricted overdraft spending. It agreed, as a gesture of goodwill, to refund the charges, but not interest, applied to the account between April 2012 and March 2013. It said that once the loan was provided, D Ltd had been provided with the support it was seeking. The figure was £2,054.32.

Barclays also pointed out that as D Ltd had already received two previous refunds on the loan account, as well as the period when no interest had been charged, this meant it would be in a better position than if D Ltd had paid all expected payments on time.

D Ltd, represented by Mrs P, said this wasn't enough. Mrs P said it should have been done at the time, and if it had been, the amount she was paying for the cost of the loan could have been used to reduce her tax payments, and her personal debts. Mrs P said that she'd been left in a worse position, not only in taking the loan with the higher rate of interest, but also

because she could have paid other expenses and interest instead. Ms P said that she thought a fair amount of compensation would have been to refund the charges and loan expenses as if the loan had been £16,000, not £18,000.

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.

Banks aren't required to keep records for more than six years, and the key events in this complaint happened in 2012 and 2013. So it's not clear exactly what both sides said before the 2013 loan, or when D Ltd's officers told Barclays that it was in financial difficulties. Mrs P and her fellow company officer signed a personal debt management plan with a debt charity on 1 April 2012. Mrs P told this service there were three Barclaycard debts and 17 other card debts.

As I've set out above, Barclays said it didn't know that D Ltd – as opposed to Mrs P personally – was in financial difficulties until just before the loan. But I don't need to make a finding about the date, because Barclays has accepted it could have done more to support D Ltd.

In D Ltd's initial complaint to this service, Mrs P said *"I would like to complain against Barclays who have mistreated me by forcing me to convert my business overdraft into a business loan from rate of 10.5% to a horrendous rate of 20% even though we were in financial difficulties."* Mrs P later changed this, and said that she wasn't complaining that the loan had been mis-sold. She said that her complaint was that she hadn't had help when she needed it most, from May 2012 to October 2013. I've therefore focused mainly on the period from May 2012 to October 2013. But for the avoidance of doubt, I note that in the months prior to the overdraft being changed to the loan, D Ltd was incurring charges and interest, properly calculated, which were higher than the subsequent loan. And there is also no evidence that D Ltd was forced to take the loan. So I don't consider the loan was mis-sold.

I have gone on to consider what would be fair compensation for Barclays' acceptance that it could have provided more support to D Ltd. I am not persuaded by D Ltd's arguments about the compensation it should receive, and have set out below the individual elements of compensation.

- I find that the correct period for the relevant charges is April 2012 (applied 6 June 2012) to March 2013 (applied 8 April 2013), when the loan was taken out. The loan meant lower costs for D Ltd, and Mrs P has now said that she isn't complaining about the loan. So I find that the end point for compensation should be March 2013 when the loan was taken out. Barclays has already paid D Ltd compensation for October 2013 to July 2018.
- I find that the charges during this period which should be refunded are those labelled *"Commission charges"*. These total £2,054.32. These should be refunded in line with Barclays' agreement that it could have done more to help D Ltd going back to April 2012.
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- I find that it would not be fair or reasonable to order Barclays to refund interest charged on the overdraft. That was calculated on D Ltd's debt, and even if D Ltd had replaced the overdraft with a loan earlier, D Ltd would still have had to pay interest on

its debt – and that would have been at a higher interest rate. Interest rates reflect perceived risk to the lender. I do not consider Barclays need refund interest to D Ltd.

- I am not persuaded by Mrs P's argument that the interest D Ltd was paying should have been used to lower her debt to HMRC and to her personal debts. D Ltd had borrowed the money; it was a company debt not a personal debt; and interest was charged under the terms and conditions of the account.
- For the avoidance of doubt, I would clarify that compensation for distress is not payable to a limited company.

My final decision

My final decision is that I uphold this complaint in part. I consider that the offer made by Barclays Bank UK PLC of £2,054.32 is fair and reasonable, and so that's what should be paid here.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 1 April 2021.

Belinda Knight
Ombudsman