

The complaint

Mr K complains Barclays Bank UK PLC allowed his account to go overdrawn. He's unhappy that he's now being pursued for a debt as a result.

What happened

Mr K held a current account with Barclays. He opened it in 2013, in branch, as a Young Persons Account (YPA). It was important to Mr K that the account not be given an overdraft facility – and he made this request clear at the time.

In 2015, Mr K's account was automatically converted to a regular current account. That's because he'd reached 18 years old and was no longer eligible for a YPA. No formal overdraft was agreed when this happened, but while the account was open Barclays allowed certain card payments to be processed although there weren't enough funds available at the time. As a result, Mr K's current account did become overdrawn on several occasions.

From around May 2015, Mr K's account remained in an overdrawn state. After some time, when no repayment was made, the bank closed Mr K's account. Barclays sent Mr K a letter in October 2015 which explained his account had been closed, repayment of the debt was still required and – if the debt wasn't settled – it could be passed to a third party.

Some years later, in November 2020, Barclays sold Mr K's debt to a third party – which I'll refer to as 'P'. When P contacted Mr K about the debt, he complained. He believed he'd been mis-sold the current account because he'd specifically requested an account that couldn't be overdrawn. In March 2021, P passed Mr K's complaint back to Barclays so it could investigate.

Barclays sent its final response letter to Mr K on 8 April 2021. In it, the bank said guaranteed payments must be honoured – and that's why it had allowed certain transactions to be processed at the time, despite no overdraft being in place. Barclays also said Mr K's account had been closed in-line with its terms and conditions – and that his debt was now with P. Finally, the bank did acknowledge its service could've been better. So, it offered Mr K £75 compensation.

Mr K remained unhappy and he referred his complaint to our service. An investigator here considered what had happened – but she didn't think Barclays had done anything wrong. In summary, she said:

- Barclays hadn't acted unreasonably by allowing guaranteed payments to go through;
- the debt hadn't been unfairly passed to P; and
- the bank's offer of £75 was a fair way to compensate Mr K for how it had handled his complaint.

Mr K disagreed with the investigator's findings, he still didn't think Barclays had acted fairly in the circumstances. So, he asked for an ombudsman's decision and the complaint has been passed to me to decide.

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've decided not to uphold Mr K's complaint. I'll explain why.

From what I've seen, Mr K's account was overdrawn several times between 2013 and 2015.

Mr K has said Barclays shouldn't have allowed payments to be processed if there wasn't enough money in his account. In support of his position, he's explained the transactions Barclays approved weren't for anything particularly important – so he doesn't understand why the bank allowed them to be processed.

While I can understand Mr K's point of view, what the transaction is for isn't something Barclays would necessarily monitor. Certain transactions Mr K made were guaranteed by the bank – which means Barclays will allow them to be paid irrespective of the account balance.

As our investigator explained, this can occur when merchants process payments – generally for small amounts – which don't require the bank's authorisation. It can also happen when a merchant initially takes a nominal amount and then pushes the remainder through at a later date. And it seems that's what happened with Mr K's account. So, regardless of what they were for, because some transactions Mr K made were guaranteed, I can't say Barclays was wrong to allow payment to debit his account.

Mr K's account never had an arranged overdraft. But the terms and conditions applicable at the time (both when the account was a YPA and a regular current account) explain what can happen if Barclays needs to make a payment for a guaranteed transaction when sufficient funds aren't available.

Moreover, I've also seen that Barclays wrote to Mr K when it allowed such transactions to debit his account. These letters were sent to the addresses the bank held for Mr K at the time and explained a payment had been made, as well as notifying him that his account was overdrawn. So, I think this would've made Mr K aware of how his account operated.

I recognise Mr K's frustration over the issue. He says it wasn't made clear at the time – or at any point when he visited a branch – that some payments can still go through even without available funds. But, put simply, the fact is it was his responsibility to monitor his account and the payments he authorised from it. And while I can't know for sure what was said to Mr K in person, I'm satisfied the terms and conditions of his account set out how things worked, and that Barclays wrote to Mr K each time a guaranteed transaction had been paid – giving him the opportunity to bring his account back into credit. So, with all of that in mind, I can't fairly conclude Barclays did something wrong.

Barclays closed Mr K's account in 2015. The account had an overdrawn balance outstanding at the time, and I've seen the bank wrote to him in October 2015 setting out what further action could be taken – including recording information with credit reference agencies or passing the debt to a third-party.

This letter, much like the others, was sent to the address Barclays held for Mr K at the time. But there's nothing to suggest he took any steps to repay what he owed. So, I don't think Barclays acted unreasonably when it eventually passed Mr K's debt to P.

Mr K's understandably concerned about the impact to his credit file, and he's provided a copy. Having reviewed it, I've not seen that Barclays has recorded any adverse information. It's possible the bank did do so at the time given Mr K hadn't repaid what he owed, which it would've been entitled to do. But if a default, for example, was recorded – the length of time that's now passed could be the reason it's no longer there.

In any event, Barclays has confirmed it no longer owns Mr K's debt – instead, P does. From what I've seen P hasn't recorded a default for the debt either. But, if Mr K is unhappy with what P is reporting, he'll need to contact it and raise that issue directly.

Lastly, Mr K was also unhappy with how Barclays handled his complaint – specifically when it provided him copies of statements which showed an incorrect account name. Barclays apologised for this and it offered £75 compensation, which Mr K accepted. And, in the circumstances, I think that's a fair and reasonable amount.

To sum up, I know Mr K will be disappointed with my decision. But, for the reasons I've explained, I don't think Barclays acted unfairly or unreasonably. And I don't find that it mis-sold the account to him. So, I don't require it to do anything more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 24 September 2021.

Simon Louth
Ombudsman