

The complaint

A company I'll refer to as S complains that Barclays reneged on its decision to grant a loan repayment holiday.

S is represented by its director, Mr D.

What happened

On 5 March 2020, S took out a loan with monthly payments due on the 5th of each month, commencing on 5 April 2020. S didn't make repayments on 5 April or 5 May 2020 and Mr D called Barclays on 20 May 2020 to request a payment holiday.

Mr D says he was told the holiday was approved, but he later received a default letter from Barclays. When he called Barclays to question the default letter, Barclays said the holiday hadn't been applied to S's account, but that it should have been put on from 20 May 2020. Mr S was told the matter would be put on hold and that chasing letters would cease until the issue was resolved.

Barclays didn't freeze the loan though and later wrote to S calling the loan in, so Mr D complained. Barclays issued its final response letter on 19 January 2021. It accepted it had made a mistake, but said S wasn't eligible for a repayment holiday at the time he applied, because the loan was so new, and because the first two payments had been returned. It offered S £100 in compensation for the inconvenience, but didn't agree to write off any interest. It later wrote two further final response letters, in which it said it had found no evidence it had agreed to freeze interest on the loan.

Mr D remained unhappy, so he brought the complaint to our service. Our investigator upheld S's complaint. She said Barclays should pay S £250 in compensation, and remove any adverse information from his credit file between May 2020 and January 2021. She said any additional interest above the standard amount charged between May and January should be waived, although she was satisfied the standard interest charges should remain.

Barclays didn't agree with everything our investigator said. It said it couldn't trace Mr D's first call, so it couldn't be sure he had been told the repayment holiday was approved. And it didn't think it was appropriate for the credit file to be cleansed. It asked for an ombudsman to review matters afresh.

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.

I understand why Barclays doesn't necessarily accept it agreed to the repayment holiday: because there's no call recording, we can't say with certainty what, if anything, S was told about the holiday. However, I have to base my decision on what I think is more likely than not

to have happened. So, I've looked at all of the evidence both parties submitted to reach an outcome on the balance of probabilities.

When Mr D called Barclays to discuss its first default letter, the call handler put him on hold then appeared to be reading through system notes. After he had done so, he returned to Mr D and said he could see the payment holiday should have been applied from 20 May 2020. I don't know what information he relied on to reach that conclusion, but it seems more likely than not to me that he discovered something that showed Mr D had been told a repayment holiday had been agreed. Mr D's behaviour at the time and testimony since was also consistent, and he has maintained the same version of events.

Given the circumstances surrounding the loan, and what I've said above, I think it's more likely than not that Mr D was told S could have a repayment holiday on 20 May 2020. And while I accept the later call wasn't clear, my impression was that Mr D would have left the call under the assumption that proceedings relating to the loan were on hold, pending Barclays looking into matters. The call handler concluded by saying nothing would happen until this was sorted.

As to interest, I accept what Barclays said in its 2nd and 3rd final response letter: i.e. there's nothing to suggest Barclays agreed to waive interest while this was on hold. S was contractually obliged to pay interest on the loan at the contract rate, and interest would have continued to accrue if Barclays had formally agreed to a repayment holiday.

So it wouldn't be fair if S got a refund of interest it would have had to pay regardless. With that being said, Barclays shouldn't have charged any additional interest as a result of any missed payments after 20 May 2020. So, it should refund S any such interest charges it applied (if at all).

With regard to S's credit file, I agree with our investigator that any adverse marks applied as a result of these circumstances after 20 May 2020 should be removed. Had S been given the correct information, it would have had the opportunity to meet the contractual payments that followed. Because it was deprived of that opportunity, I'm not persuaded it was fair to record adverse data against S. The missed payments from 5 April and 5 May 2020 pre-dated Barclays' error, so I'm not asking Barclays to remove data relating to those payments.

Barclays should also pay S £250 in recognition of the inconvenience it experienced as a result of having to deal with the fallout of the repayment holiday request. Because this complaint is brought by S, a limited company, I can't award it compensation for any distress experienced by its director, Mr D. But I'm satisfied £250 represents fair compensation for the inconvenience S experienced.

My final decision

My final decision is that I uphold this complaint. To put things right, Barclays must:

1. Pay S £250 in compensation;
2. Refund any interest applied as a result of missed payments after 20 May 2020 (if any); and
3. Remove any credit file markers against S registered on or after 20 May 2020 that relate to the circumstances set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 29 August 2022.

Alex Brooke-Smith
Ombudsman