

The complaint

Mr S is a sole trader. He complains that Barclays Bank UK PLC wrongly declined his application for a Bounce Back Loan.

What happened

Mr S was an existing personal customer of Barclays and approached the bank for a Bounce Back Loan. Barclays declined Mr S's request as it wasn't satisfied he met the Bounce Back Loan Scheme eligibility criteria.

Mr S says Barclays' decision was unfair and in contradiction of the Bounce Back Loan Scheme rules, which were set by the British Business Bank. He says that Barclays wasn't entitled to conduct the level of checks it did when reaching his decision and should instead have relied on his self-declaration. That notwithstanding, he says he co-operated with the bank's requests for information and provided sufficient evidence of his eligibility. He also says that the application process was too long.

Barclays says that it couldn't evidence that Mr S was trading before 1 March 2020 as required by the Loan Scheme eligibility criteria, so it was unable to proceed with Mr S's request.

Mr S asked us to look into things and his complaint was reviewed by one of our investigators. She didn't think that Barclays had done anything wrong. She said, in summary, that:

- While loans provided under the Bounce Back Loan Scheme were backed by a guarantee from the government, the decision to lend still rested with the lender. In making that decision, they were required to carry out certain checks, including fraud, anti-money laundering and Know Your Customer checks.
- Although Mr S already held a personal account with Barclays, it was reasonable for the bank to have carried out these checks. This was specifically allowed for under the rules of the Loan Scheme and set out on the British Business Bank's website.
- Barclays' checks legitimately extended to Mr S's eligibility for the loan. This wasn't prohibited under the Loan Scheme rules and the bank wasn't obliged to accept Mr S's self-declaration without question. This was in keeping with the bank's obligations to prevent misuse of the Scheme.
- When carrying out its checks, Barclays couldn't see that Mr S had been trading prior to 1 March 2020. So it hadn't done anything wrong in declining his application.
- Having reviewed the timeline of Mr S's application, there weren't any unnecessary delays as Barclays had made legitimate requests for information and had then needed to review it on receipt.

Mr S didn't accept our investigator's view. In summary, he reiterated his belief that Barclays hadn't been entitled to carry out the checks that it had but that he had evidenced his eligibility anyway – so the bank had no basis on which to have fairly declined his application. He asked that an ombudsman review the complaint, and it was 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 reached the same conclusion as our investigator and for much the same reasons. I'll explain why. In doing so, I won't comment on each and every point Mr S has raised – which I hope he won't take as discourteous. Rather, my findings will focus on the matters which I consider most relevant to how I've reached my decision.

There is no dispute about the eligibility criteria for a Bounce Back Loan, which included – amongst other things – that the applicant was carrying on business on 1 March 2020. Rather, Mr S's complaint focuses on Barclays' entitlement to verify that he met this criterion – and whether the decision it reached on this was reasonable.

The bank's entitlement to verify an applicant's eligibility for a Bounce Back Loan

I understand from Mr S's response that he accepts a lender's entitlement to conduct fraud, anti-money laundering and Know Your Customer (KYC) checks, but he doesn't think that any of these extended to what Barclays did here in checking whether he met the Loan Scheme's eligibility criteria.

Mr S bases this view on the information available within the "Frequently Asked Questions" section of the British Business Bank's website. But this isn't exhaustive or definitive – it is a summary of key information, primarily for the benefit of an applicant. So it doesn't include all the rules and requirements that applied to lenders. While the Bounce Back Loan application process did differ from that for a traditional loan, I don't agree that the rules of the Scheme prevented Barclays from conducting the checks it did here.

Under any of the three checks set out above, I think it would be reasonable for the lender to verify the information given by an applicant about their business. Such information could inform a KYC check or be part of a lender's legitimate efforts to combat money laundering and fraud.

Even if I were to accept Mr S's suggestion that the verification of an applicant's self-declared eligibility doesn't fall within the scope of these three necessary checks, I still don't think it was unreasonable for Barclays to take additional measures to prevent fraudulent applications. Such measures were not excluded by the Bounce Back Loan Scheme rules.

For these reasons, I think the verification of an applicant's trading status was reasonable.

The bank's assessment of Mr S's trading status and eligibility

As I've found that Barclays was entitled to carry out the checks that it did, I've gone on to consider whether its decision to decline Mr S's application was reasonable.

Mr S's business was established prior to 1 March 2020, but this alone wasn't sufficient to meet the Bounce Back Loan Scheme eligibility criteria – the applicant also had to be trading before this date.

Barclays wasn't satisfied that Mr S met this criterion and, having reviewed the information that Mr S provided, I think its decision was reasonable. I say this because:

- As Mr S wasn't running his business through his Barclays personal account, the bank had little evidence of his trading activity on its own systems. It asked him to provide statements of the account he was trading through, but these don't clearly show any business transactions or anything that might readily be identified as trading activity over the relevant period (i.e. prior to 1 March 2020).
- Mr S provided some invoices, but these were issued in September and October 2020 and so don't demonstrate that Mr S was trading prior to 1 March 2020.
- Barclays invited Mr S to provide a utility bill, lease or rental agreement and/or a business insurance contract in the name of his business, but he was unable to provide these. He only had a utility bill in his and his wife's name. While I appreciate why Mr S may not have been able to produce anything else, it nevertheless remained difficult for Barclays to evidence his eligibility as a result.
- Barclays considered the other evidence that Mr S provided, including HMRC documentation, registration with the Federation of Small Businesses (FSB) and a business plan, but these didn't show that the business was trading before 1 March 2020 – and I think this view was reasonable. Mr S submitted a tax return that showed a turnover of £5,000 in the tax year 6 April 2019 to 5 April 2020, but it's not clear when this money was earned. It could have been the result of trading activity prior to 1 March 2020, but it could just as easily have been earned after that date. Given Mr S's business was only established in February 2020, this makes it more likely that the income was earned *after* 1 March 2020. The FSB registration and business plan do nothing to confirm the position either way.

So although I can understand why Mr S might've found it difficult to evidence that he met the eligibility criteria, I don't think that Barclays' enquiries – or the decision it reached in light of the evidence he provided – were unreasonable. It follows that I think it was reasonable for the bank to decline his Bounce Back Loan application.

The application process

Mr S also says that while the application process was supposed to be short and simple – including the application form itself – Barclays' process was long and drawn out.

With regard to the application form, lenders were required to obtain certain information from applications under the Bounce Back Loan Scheme rules. From what I've seen of the bank's processes, it was in line with those requirements.

I can see that it did take longer than Mr S might have reasonably expected to get Barclays' final answer on his application. He approached the bank in June and got its decision in October. But some of this delay was legitimate – being the result of the further enquiries that the bank raised with Mr S and the time taken to receive and review his responses.

I also think it's fair to bear in mind the unprecedented circumstances of the time, during which Barclays was dealing with huge demand for loans under the Scheme and dealing with the wider impact of the pandemic. And the delay hasn't had a material impact on Mr S's position, as ultimately he was declined for the loan and had sufficient time to apply elsewhere once he had the bank's decision.

So while I don't doubt that the process was more stressful and time-consuming than Mr S might have anticipated, I don't think that this was down to an error or any unreasonableness on the bank's part.

I've also noted Mr S's initial unhappiness at Barclays' apparent suggestion that he would need a business current account in order to proceed with the loan application. But the bank later clarified that this was not a requirement for the loan – and I don't think this affected things here, as the application was ultimately not successful anyway.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 December 2021.

Ben Jennings
Ombudsman