

Summary and background to the complaint

Miss S has complained about overdraft charges and interest Barclays Bank UK PLC added to her current account. She's said Barclays was irresponsible to offer her overdraft facilities given her financial circumstances, and that Barclays didn't treat her fairly when she asked for help.

Barclays looked at Miss S's complaint and offered to refund charges and interest applied to Her account from June to August 2015 and from June 2017 to August 2019. But Barclays said it wouldn't be looking at any charges applied prior to 2015 as any complaint about those charges had been made too late. Miss S was unhappy with Barclays offer and so she referred her complaint to us.

An adjudicator looked at Miss S's complaint and said that he felt the offer Barclays had made was fair, he also explained that he agreed with Barclays that any complaint about what happened before 2015 was made too late. Miss S disagreed with our adjudicator so the complaint was passed to me for a decision.

I issued a provisional decision on this case on 12 May 2022. Barclays has confirmed it agrees with the findings set out in that decision, Miss S has not made any further comment.

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.

In my provisional decision I said the following:

"Barclays will be familiar with all the rules, regulations and good industry practice we consider when looking at whether a bank treated a customer fairly and reasonably when applying overdraft charges and regarding the affordability of overdrafts. So I don't consider it necessary to set all of this out in this decision.

Having carefully considered everything provided, I'm intending to find that Barclays acted unfairly when it continued charging overdraft interest and associated fees after June 2015. By this point, it ought to have been clear that Miss S' overdraft was no longer affordable to her and so Barclays should have stepped in to offer proactive assistance at that stage.

I say this because Miss S's statements showed evidence of hardcore borrowing. In other, words, by June 2015 she hadn't seen or maintained a credit balance for an extended period of time. And Barclays's own literature suggests that overdrafts are for unforeseen emergency borrowing not prolonged use so this alone should have flagged to Barclays that Miss S was potentially struggling to manage her overdraft facility.

I also note that in its final response letter to Miss S of 27 August 2021 Barclays acknowledged that, when her account was downgraded to a standard current account in 2015, it should have reviewed whether her overdraft facility of £5,000 was still appropriate

and affordable. In fact, in that letter, Barclays confirms that it feels the overdraft facility is “unaffordable and unsustainable”.

With all this in mind, I think that if Barclays had taken action to review Miss S’ account usage and overdraft facility in June 2015, it likely wouldn’t have continued offering the overdraft on the same terms. As Barclays didn’t react to Miss S’s overdraft usage and instead continued charging in the same way, I think it failed to act fairly and reasonably.

I acknowledge that Miss S was able to repay her overdraft on a couple of occasions over the years, but this seems to have been as a result of transferring funds from her joint mortgage reserve account – essentially just moving the debt between different Barclays accounts. And I don’t think this changes the fact that I think Barclays should have taken action regarding Miss S’ overdraft facility in June 2015.

Miss S ended up paying additional interest, fees and charges on her overdraft and this ended up exacerbating difficulties she already had in trying to clear it. So I think that Barclays didn’t treat Miss S fairly and she lost out because of what Barclays did wrong. And this means that it should put things right.”

As Barclays has agreed with my provisional decision, and as Miss S hasn’t said she disagrees with my decision, I see no reason to depart from the findings set out in my provisional decision.

Putting things right

Having thought about everything, I think that it would be fair and reasonable in all the circumstances of Miss S’s complaint for Barclays to put things right by:

- Reworking Miss S’s current overdraft balance so that all interest, fees and charges applied to it since June 2015 are removed.

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made Barclays should contact Miss S to arrange a suitable repayment plan, Miss S is encouraged to get in contact with and cooperate with Barclays to reach a suitable agreement. If it considers it appropriate to record negative information on Miss S’s credit file, Barclays should reflect what would have been recorded had it started the process of taking corrective action on the overdraft in June 2015.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Miss S along with 8% simple interest† on the overpayments from the date they were made (if they were) until the date of settlement. If no outstanding balance remains after all adjustments have been made, then Barclays should remove any adverse information from Miss S’s credit file.

Barclays has said it will not be reducing Miss S’ overdraft facility by the amount of any refund, but I would encourage Miss S and Barclays to discuss what an affordable level of overdraft facility (if any) would be appropriate for Miss S going forwards.

† HM Revenue & Customs requires Barclays to take off tax from this interest. Barclays must give Miss S a certificate showing how much tax it has taken off if she asks for one.

My final decision

For the reasons I've explained I uphold Miss S's complaint. Barclays Bank UK Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 12 July 2022.

Sophie Mitchell
Ombudsman