

## **The complaint**

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

## **What happened**

Mr C runs three businesses, all as a sole trader. He wanted a Bounce Back Loan to support each of these businesses. Under the rules of the Bounce Back Loan Scheme, a business was only entitled to one loan.

Having obtained a loan for two of his businesses with other providers, Mr C approached Barclays for a third – but was declined. Although the application was initially approved, Barclays reversed its decision. It explained that this was because it couldn't see a sufficiently distinct third business that was eligible for a Bounce Back Loan.

When Mr C complained, Barclays maintained its decision but invited Mr C to provide further information if he wanted the bank to review the matter further. It accepted, though, that there had been delays in its assessment of the application and paid Mr C £125 compensation for the inconvenience this had caused.

Mr C provided Barclays with some further information, but the bank's position remained unchanged. Still believing that his third business was also eligible for a Bounce Back Loan, Mr C asked us to look into things.

## **My provisional decision**

As my initial conclusions differed slightly from those of our investigator, I wrote to both parties with a provisional decision to let them know what I thought and give them the opportunity to submit anything else they wanted me to consider before I finalised my decision. I said:

A business was only entitled to one loan under the Bounce Back Loan Scheme. That didn't necessarily mean one loan per person. It was acknowledged that an individual could own or operate two (or more) distinct businesses. A loan could be obtained for each of those businesses even where they operated in the same industry. So the fact that Mr C already had two Bounce Back Loans didn't automatically mean he was ineligible for another.

Lenders were expected to lend only to eligible businesses and were therefore required to satisfy themselves that the businesses were sufficiently distinct. Barclays ultimately declined Mr C's application not simply because he already had two loans, but because it couldn't see evidence of a third business that was distinct from his other two. I think that decision was reasonable, based on the information that the bank was provided with.

Much of the dispute has, understandably, focused on this point. But even if I were to accept that there was a sufficiently distinct third business, I think the application

would've been declined for other reasons anyway. Mr C has explained that the business hadn't actually started trading. So it wouldn't have been eligible for a Bounce Back Loan, as one of the core requirements was that the business had been trading prior to 1 March 2020 and it doesn't seem that this could be said for his third business.

I understand from what Mr C says that he was in the process of setting up the business – he'd signed a lease but then couldn't open the premises due to the coronavirus pandemic and subsequent lockdown restrictions. I don't think this activity amounted to 'trading' as defined by the Scheme rules. But even if it did, the rules also stipulated that an applicant could borrow a maximum of 25% of its turnover. Mr C's third business didn't have any turnover. So I don't think it would've been eligible for a loan – and certainly not the £50,000 loan that Mr C was looking for, given that there was very little evidence on which to reasonably conclude that the business would be turning over the £200,000 required to qualify for this amount. While estimates could be used for new businesses, lenders weren't obliged to accept any amount declared by the applicant and so with no trading history, I don't think Barclays would (or should) have approved this request.

In short, then, I don't think that Mr C was eligible for the loan that he sought from Barclays. I think it was reasonable for the bank to decline the application for the reason it did, but there were other reasons why the application would've failed in any event.

While I think Barclays was trying to help Mr C by giving his application thorough consideration, I think it caused some unreasonable delays along the way and – given what I've said above – ought reasonably to have realised much sooner that the application wasn't going to succeed. The application took around ten months in all. The bank also wrongly approved the application at one point, before later reversing its decision. Barclays has already apologised to Mr C and paid him £125, but I don't think this goes far enough to compensate him for the avoidable stress and inconvenience caused by shortcomings in the bank's service. I think it would be fair for Barclays to pay Mr C a further £200.

Barclays accepted my provisional decision, but Mr C didn't. He responded to say that the main reason for Barclays' decision was its view that his third business was part of the same 'group'. He maintained that this was incorrect and that he'd provided sufficient evidence to Barclays to demonstrate this. He also said he was disappointed with the level of investigation that the bank had undertaken in this respect, given his longstanding relationship with it.

### **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 particular, I've taken on board Mr C's further comments in light of my provisional decision. While I appreciate what he's told us, he hasn't raised any new issues that I'd not already considered when reaching my initial view. And so while I'm sorry to disappoint him as I know he feels very strongly about this matter, I see no reason to reach a different conclusion to that of my provisional decision.

Mr C continues to stress that his third business was sufficiently distinct from his other two to qualify in its own right for a Bounce Back Loan given the different fields in which they operated. That may well have been the case. But the bank's consideration didn't end there.

It had to see that there was a separate business actually *operating*. And it couldn't. And from the evidence that Mr C provided the bank, I think that decision was reasonable.

In any case, even if I'd thought Barclays had erred in that conclusion, for the reasons I've explained in my provisional decision I don't think it prejudiced Mr C's position as I don't think his third business would've met the other eligibility requirements to obtain the loan he was seeking. Mr C didn't provide me with anything by way of reply to my provisional decision that would lead me to think any differently about this.

I note Mr C's unhappiness at the level of investigation carried out by the bank, but I think its enquiries were reasonable in light of its obligations under the Scheme and the difficulties in verifying information about the third business. Barclays did, though, take longer than it should've done to reach its decision and caused some avoidable upset when initially approving the loan before later reversing this. It's right that Mr C is compensated for this and I still think that a further £200 represents a fair amount in this regard.

### **My final decision**

I uphold this complaint and require Barclays Bank UK PLC to pay Mr C compensation of £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 August 2022.

Ben Jennings  
**Ombudsman**