

## **The complaint**

Miss H complains that Barclays Bank UK PLC recalled a Bounce Back Loan and closed her bank account unfairly.

## **What happened**

Miss H ran a business as a sole trader. She banked with Barclays, holding two personal accounts that she also used for her business transactions.

Miss H approached Barclays with a view to taking out a Bounce Back Loan. After some discussions with the bank as to how to complete an application, Miss H submitted her application on 8 June 2020. She asked for a loan of £33,300.

Barclays approved Miss H's application and the loan was drawn down on 12 June.

On 3 July, Barclays reversed the loan and removed £33,300 from Miss H's account without notice. This left the account in an unauthorised overdraft with a debit balance of almost £25,000. Miss H discovered what had happened shortly after, when finding that she was unable to use her card.

Barclays explained that it required customers to enter into a business relationship (or hold a business account) before it could provide them with a Bounce Back Loan – but it had given Miss H the loan without doing so. It had therefore recalled the loan on the basis that Miss H hadn't been eligible for it.

Barclays subsequently reviewed whether it could enter into the requisite business relationship with Miss H, but explained that she didn't meet the bank's criteria due to her adverse credit history. So it declined to reinstate the loan. This left Miss H needing to repay the £25,000 debit balance left on her account. No agreement was reached as to how she could do so, which ultimately led the bank to close Miss H's accounts in March 2021 and pursue repayment through its recoveries department.

When Miss H complained, Barclays maintained that the removal of the funds had been appropriate as a means of correcting its initial error in approving the loan application. It paid Miss H £250 in what it described as a gesture of goodwill.

Miss H asked us to look into things and explained that Barclays' actions had impacted her catastrophically. In summary, she said:

- She had been entitled to the Bounce Back Loan and didn't think it was correct that Barclays could decline to provide it due to her adverse credit history, which she thought was prohibited under the rules of the government-backed scheme. The bank had entered into an agreement with her and the contract ought to stand. So she wanted the bank to return the remainder of the loan that she'd not utilised, around £9,000.

- Following a particular call discussing the reversal of the loan funds, Barclays had called the police as it held concerns over her welfare. This led to the police attending and forcing entry to her home, which was a traumatising experience.
- The sudden removal of the loan had left her in extreme financial difficulty. She was left without money for day-to-day living expenses and fell behind on a number of commitments, pushing her into further debt. This had led to her car being taken by bailiffs and County Court Judgements (CCJs) against her. She'd also had to sell some personal possessions with great sentimental value to get by. In addition, she'd had to stop midway through a private dental treatment plan, which had caused her a lot of mental and physical pain.
- Her business had all but ceased, with no funds left to invest in the manner she'd anticipated and with debts outstanding to existing creditors. She'd been unable to obtain a Bounce Back Loan elsewhere and had been deprived of the opportunity to apply for further borrowing through a "top-up" to the original Bounce Back Loan. She thought she was eligible to borrow up to £50,000, so she wanted the bank to lend her an additional £17,000.
- The bank's actions and the situation it had left her in had caused her to feel so overwhelmed and helpless that she had tried to take her own life. Her life had fallen apart after what had happened, leading to a breakdown in September 2020 and a diagnosis of Post-Traumatic Stress Disorder. Her health had deteriorated to such a point that she was signed off from work until 2024, further affecting her ability to work and earn money.

### **Our investigator's assessment**

Our investigator recommended that the complaint be upheld. He didn't think the lack of a business relationship warranted the immediate termination and recall of the loan, particularly given that:

- This wasn't a requirement under the Loan Scheme rules and was something at Barclays' discretion. Barclays had spoken to Miss H and helped her with the application, and it was an error on the bank's part that had allowed the application to proceed without the business relationship.
- Barclays had provided the loan to Miss H and she'd therefore relied on having the use of the funds. Miss H had no cause to suspect there might be any outstanding issues with her eligibility for the loan. And she had already utilised much of the loan funds, with the expectation that she'd have the agreed term of six years to repay them.
- It was foreseeable that the immediate reversal of the loan, plunging her account into a £25,000 overdraft, would have a significant adverse impact on Miss H. The bank was also aware from its existing relationship with Miss H of circumstances that meant she was vulnerable.

Our investigator thought that errors on the bank's part had caused significant damage to Miss H's business, with Miss H left without the remainder of the loan that she'd been relying upon. However, she had benefited from the use of a significant portion of the loan funds and he couldn't say whether she would have been successful in applying for any additional borrowing in the future.

To put things right, our investigator recommended that Barclays write off the outstanding debt and remove any adverse information that it had registered with credit reference agencies as a result of the position its actions had left Miss H in. He also thought that Barclays should pay Miss H compensation of £2,500 for the distress it had caused her and the severe impact on her health.

Noting Miss H's request that the bank reopen an account for her, our investigator also recommended that Barclays do so – as it was the overdrawn position that had led to the account closure, which wouldn't have arisen had the bank acted fairly.

Barclays largely accepted our investigator's recommendations and agreed to write off the debt of around £25,000, pay Miss H compensation of £2,500 and remove any adverse credit information relating to the issue. It said that it didn't think it was beneficial to either party to open an account for Miss H, given the clear breakdown in relationship and as she had likely sought alternative facilities elsewhere. The bank also highlighted that:

- Barclays had required customers seeking a Bounce Back Loan to enter into a business relationship so that the bank could complete certain checks and satisfy its regulatory obligations. It was entitled to do so under the Loan Scheme rules.
- Miss H had attested to an annual turnover of £133,000 when submitting her application, which wasn't evident in the transactions running through her account.
- The Bounce Back Loan could only be used for business purposes but some of Miss H's spending on receipt of the loan wasn't consistent with the costs of her business.

Miss H didn't accept the proposed settlement. She said, in summary, that:

- The remainder of the loan should be returned to her, as she'd been entitled to it and it was only mistakes on Barclays' part that had caused the problems. Her business was growing and she would have used that money to make money. The bank had deprived her of that opportunity, so she thought it should compensate her for lost earnings.
- The proposed write-off of the debt didn't resolve her situation, as she was still left with other debts to pay and without the ability to work and earn money. And the compensation wouldn't enable her to replace her car, pay for dental treatment, get her possessions back or pay for her therapy to aid her recovery. She thought she'd lost three times the amount being written off.
- While it wasn't possible to say that she would definitely have received a top-up loan, it also couldn't be said that she wouldn't. That opportunity had been taken away from her, so she thought those funds should be given to her too.
- The bank should also compensate her for the damage done to her property when the police attended.
- She had three CCJs that would have been avoided, as she would have cleared those debts with profits she'd have made on utilising the remainder of the loan funds that were taken away from her.

With no resolution, the complaint was passed to me to decide.

## **My provisional decision**

I issued a provisional decision on this complaint in August, setting out why I also thought the complaint should be upheld. I thought Barclays has made a number of errors in how it handled Miss H's Bounce Back Loan application and the recall of the funds. These errors had a significant detrimental impact on Miss H – on her business, as well as her own personal finances and on her physical and mental health.

My thoughts as to what Barclays did wrong were largely the same as our investigator, which were, in summary, that:

- As Barclays accepted, it had made a mistake in approving Miss H's Bounce Back Loan application in the first place. In line with its standard process, it should have first required Miss H to enter into a business relationship. Had it done so, Miss H wouldn't have received the loan at all – as she didn't meet the bank's criteria for a business relationship due to her credit history.
- Although Barclays would have been entitled to decline Miss H's request for a business relationship and therefore a Bounce Back Loan, I didn't think it had been reasonable in the circumstances of this case for the bank to terminate and recall the loan on this basis. The contract had been entered into and Miss H had acted in reliance on it, utilising some of the funds over the weeks that they'd been available to her and planning her affairs accordingly. The reversal of the loan put Miss H into a significant overdraft that left her without access to funds immediately, a foreseeable consequence that would have been obvious to the bank and that should have prompted it to take an alternative course of action – particularly given its awareness of Miss H's vulnerability.
- While I had understood that the visit from the police had proved to be unnecessary, I didn't think Barclays had done anything wrong in relaying its reasonable concerns about Miss H's welfare to them. It was then up to the police to decide what action to take based on the information it received, and so I didn't think I could fairly hold Barclays responsible for any damage caused to Miss H's property or any upset this had caused her.

I set out my view on what went wrong fairly briefly given that both parties had largely accepted our initial findings as to what the errors were. While that was not to downplay the significance of Barclays' mistakes or the impact of them on Miss H, the main question left for me to decide was how to fairly compensate Miss H for the impact of what the bank had done wrong so I focused my decision on that. In that respect, I thought the settlement that Barclays had now agreed to pay largely represented a fair resolution. My reasons for that were as follows:

1. Our general approach to compensation is to put the complainant in the position that they would have been had the financial business not made an error, as best we can. That is complicated here, as there are two errors that have affected Miss H's position. If things had been handled correctly at the outset, Barclays would simply have declined Miss H's request for a Bounce Back Loan because she didn't meet the bank's criteria. From the information and evidence I've seen, I'm also not persuaded that Miss H was eligible for the loan amount she obtained (as I've not seen that she had the requisite turnover to qualify for the loan she received). The bank then made a second error in the way it went about recalling the loan. So I've considered how to fairly compensate Miss H by thinking about the position that she would be in if these two errors hadn't occurred – with the starting point being that she wouldn't have received the loan from Barclays in the first place.

2. I've thought about whether Miss H could have obtained a Bounce Back Loan elsewhere, had Barclays declined her request. I don't think it's likely that she would have been successful in doing so, given that she didn't hold a business relationship with any other provider, and that any application elsewhere would have been subject to checks that she would likely have failed due to her credit record. So, had things gone as they should have done, I don't think Miss H would have received a loan under the Bounce Back Loan Scheme.
3. In light of points 1 and 2, I don't think Miss H was deprived of any of the loan amount. So I don't think Barclays needs to provide the 'remainder' of the loan that Miss H feels she didn't get the benefit of (as having entered into an agreement for £33,300, she only utilised around £25,500 before Barclays reversed the loan). For the same reasons I don't think Miss H was deprived of access to a top-up loan either. It follows that I don't think Barclays needs to compensate Miss H for any loss of earnings or other opportunity as a result of being without this money.
4. Prior to receiving the loan, Miss H's account had a nominal credit balance. Barclays' reversal of the loan left it in an unauthorised overdraft of just under £25,000. This arose because Miss H proceeded to utilise the loan funds over the weeks following drawdown, in reliance on the agreement she'd entered into with the bank and with no reason to doubt it. Miss H would therefore not have been in this position but for the bank's error in approving the loan. Barclays has agreed to write off this amount, which I think is the fairest way of putting this right.
5. This write-off would mean that Miss H has benefitted from funds without having to repay them. Recognising the credits received into her account between the loan drawdown and reversal (of around £2,000), Miss H spent £23,000 that, under Barclays' offer, she will not need to pay back. I'm sure much of her spending would have been quite different had things gone as they should have, but this figure does include a certain amount of essential expenditure and the repayment of some pre-existing debts.
6. Miss H has told us that Barclays' actions led to the collapse of her business. This is largely on the premise that she was deprived of loan funds to which she believes she was entitled, which she would have utilised to grow her business and make a profit. I've explained above why I don't think Miss H should have received those funds in the first place and that, accordingly, I don't think Barclays is responsible for such losses. I have considered whether the bank's provision and reversal of the loan put Miss H's business in a worse position than it otherwise would have been, but I've not seen that it did.
7. Similarly, Miss H has explained the financial difficulties that she's experienced and which she attributes to Barclays' actions – but that is largely on the basis that she was deprived of the use of some of the loan. From what I've seen, Miss H was already experiencing some financial difficulty and I don't think the errors made by the bank in providing and then reversing the loan significantly affected this.
8. Miss H also says that she's been left unable to work, as Barclays' actions had such an effect on her health that she was signed off. I don't doubt that the bank's actions had a significant impact on her wellbeing and mental health – and I'll come on to this in a bit more detail below. But Miss H was already experiencing a level of financial difficulty, with an existing CCJ and a 'resolve' loan with the bank to consolidate previous debt. Miss H has also said that her business had yet to make a profit, even before the coronavirus pandemic, which would have made things even more

challenging – particularly given the industry in which she operated. So I don't think I can say that Miss H would be in a materially different position with regard to her business or employment were it not for Barclays' errors. For this reason, I don't think that Barclays needs to compensate Miss H for any loss of earnings.

9. The overdrawn position on Miss H's account ultimately led the bank to close it and record a default. Neither of those things ought to have happened. Barclays has agreed to remove any adverse information registered with credit reference agencies, which puts that aspect of things right.
10. Aside from her financial position, the matter has clearly been distressing for Miss H, impacting her wellbeing and causing her a significant amount of inconvenience. In particular:
  - Miss H had seen the Bounce Back Loan as a lifeline for her business and, after the difficulties she'd experienced, particularly through the pandemic, was optimistic of turning things around with the help of the loan. That opportunity was then taken away most abruptly when, without warning, she discovered that she was unable to access any money. That in itself was embarrassing, as she was left with no means to pay for transport simply to return home. To discover she owed Barclays £25,000 was very upsetting – with Miss H understandably fearing for the potential consequences of such a debt, while also having to challenge the bank as to what was happening and why.
  - The immediate reversal of the loan meant that Miss H's circumstances changed dramatically in an instant. She had access to a substantially lower amount of funds than previously, having to adjust immediately to a very different financial position. She was, at least, still in receipt of monthly Universal Credit payments, that she was able to access.
  - Miss H had to spend a lot of time and effort in following up with Barclays to work out what had happened and in an understandable attempt to get the bank to reverse its decision. It was only after Miss H queried things that the bank sensibly reconsidered whether it could simply offer her the requisite business relationship in order to consider reissuing the loan.
  - Miss H has described how her mental health has suffered since all of this happened. I'm sorry to read of this, in particular that she attempted to take her own life and has been diagnosed with Post-Traumatic Stress Disorder. It is difficult for me to cite the bank's actions as a sole or primary cause, as I'm not qualified to do so and I've not been provided with any medical evidence to demonstrate that. I'm also mindful that Miss H's broader circumstances would probably have contributed to how she felt – and for the reasons I've explained above, I think she would have been in a similar position if things had gone as they should have. But I can see that the bank's actions would doubtlessly have been very distressing and the cause of some significant anxiety. And as the bank didn't take reasonable steps to remedy the situation, the difficulties that Miss H was experiencing were exacerbated. The loan was reversed on 3 July 2020 and since then, Miss H has faced the prospect of having to repay Barclays £25,000 with limited means of doing so.

It is extremely difficult to put a figure on the emotional impact that Barclays' errors had on Miss H. But having carefully considered all that she's said and provided to us,

I think the £2,500 that Barclays has now agreed to pay is fair and reasonable in all the circumstances.

11. When raising the complaint, Miss H asked that we require Barclays to open a new account for her. However, I don't think it would be appropriate for me to require the bank to do this. Barclays can choose which customers it wishes to serve. Miss H remains free to apply for an account with Barclays if she wishes, and I'd expect the bank to consider any application from her fairly, consistent with its standard practice.
12. Miss H has also highlighted that the position in which she found herself left her unable to maintain repayments to her resolve loan with Barclays, having been up-to-date previously. I think the immediate change in her circumstances did make it more difficult than it would otherwise have been to plan her finances and maintain her commitments. While those are amounts that she would always have had to pay – meaning I don't think they should be written off – I think Barclays should reverse any interest she's incurred on any missed payments since the Bounce Back Loan reversal and remove any adverse information that it registered with credit reference agencies in respect of this loan.

So to put things right, and subject to any further submissions I received in response to my provisional findings, I said I intended to require Barclays to:

- Write off the amount owing on Miss H's overdraft;
- Reverse any interest charged on Miss H's resolve loan due to any missed payments since 3 July 2020;
- Instruct the removal of any adverse credit information about the account, overdraft and resolve loan since the Bounce Back Loan reversal on 3 July 2020; and
- Pay Miss H compensation of £2,500.

Barclays accepted my provisional decision and didn't respond with any further information or evidence for me to take into account other than to advise that the resolve loan wasn't interest-bearing and therefore required no adjustment as I'd suggested.

Miss H didn't accept my provisional decision. She submitted a number of further points and pieces of evidence, the main points of which I consider to be:

- There was no basis on which Barclays could've declined to provide her with a Bounce Back Loan. Her existing relationship with Barclays qualified as a 'good business relationship', in that £250,000 flowed through her accounts with the bank over preceding years. Her account activity also showed that she had sufficient means to afford the loan repayments. In any event, lenders weren't permitted to use credit checks and credit-scoring when assessing Bounce Back Loan applications.
- As Barclays had no legitimate basis on which to decline or withdraw the loan, its decision to recall the funds had been discriminatory. She'd been singled out and deemed as 'unworthy' of the loan.
- She hadn't been in receipt of Universal Credit payments as I'd suggested; instead the payments I'd referred to were Housing Benefit payments that she received as, despite her income, she had no funds left for herself.
- I'd not mentioned her loss of income despite the evidence that she'd submitted to support her claim for compensation. Her business hadn't collapsed as I'd described – it was still active, but she'd been unable to trade as a result of the stress that

Barclays had caused her. She thought a claim for loss of income should be considered, and that I should base an award on the turnover seen in her accounts in previous years.

- It was incorrect to say that she'd been in financial difficulty prior to the problems with Barclays, as her resolve loan had been taken out to restructure an old student debt and she'd not missed any payments on it since its inception.
- Barclays' actions had been the cause of her ill health, with her diagnosis only being made in September 2020 – which was after the problems she'd experienced. She also included a doctor's note explaining her good mental health from 2018.
- It was unfair and discriminatory to assume that she wouldn't have achieved something differently had it not been for Barclays' errors.

### **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, and with particular regard to Miss H's response to my provisional findings, I've not seen any reason to depart from my provisional decision. I'll explain why Miss H's further points haven't led me to a different decision.

Miss H doesn't accept my view that – if things had gone as they should have – Barclays would've declined her Bounce Back Loan application in the first place as she didn't meet its criteria for a business relationship (on the basis of her adverse credit history). I can see why she thinks that, as she is right to say that Bounce Back Loan applications weren't subject to credit checks or credit score requirements.

However, lenders were entitled to decide how they would accept Bounce Back Loan applications, which included the freedom to require that applicants enter into a business relationship first. While Miss H was trading through a personal account, she didn't hold a business relationship. So she needed to apply for one under Barclays' process. And in considering such an application, the bank was entitled to apply its own policy and criteria – including its credit score requirements – as this was distinct from the Bounce Back Loan itself. This was set out in the rules of the Bounce Back Loan Scheme, and summarised in the publicly available information on the British Business Bank's website:

*“If a lender identifies ... that their existing customer is operating a business via a personal account, the lender may request that they convert to a business relationship in line with their standard policies. This is at the sole discretion of the lender.”*

I also think this was the sole reason for Barclays' decision to recall the loan in the manner it did from Miss H. While I don't think that was appropriate in the circumstances – for the reasons set out in my provisional decision – it doesn't lead me to think that Miss H was being singled out or discriminated against in the manner she describes.

So I still don't think Miss H would've been entitled to the Bounce Back Loan had things gone as they should've done from the outset. And so I still think it is a factor that I should take into account when deciding fair compensation. It follows that I still don't think Barclays needs to compensate Miss H for any loss of earnings or other opportunity as a result of being unable to utilise the full amount of the loan before it was recalled.



I explained in my provisional decision that our general approach to compensation is to put the complainant in the position that they would have been had the financial business not made an error, as best we can. And in setting out my view on how Barclays' errors had affected Miss H's position, I said that – subject to the write-off of the outstanding debt – I'd not seen that she had been left in a worse position than she would otherwise have been. I've thought about everything Miss H has said and provided in response to this point, but not reached a different conclusion, as:

- I accept what Miss H says about my inaccurate description of her business having “collapsed”. That was drawn from her comments as to the severe impact that the bank's actions had on her, which I had understood had left it impossible for her to trade. She says the business still exists, which I've no reason to doubt – but can't operate because of her ill health. I don't think that has a bearing on my findings, as either way it is agreed that Miss H's business hasn't been operating since the loan was recalled.
- While understanding Miss H's disappointment that I've not proposed any compensation for the loss of income she believes she's suffered, I don't agree that this wasn't mentioned. I set out in my provisional decision why I didn't think that such an award was fair in the circumstances, which was based on both the point above that Miss H ought not to have received the loan in the first place and also that I didn't think the reversal of the loan had deprived her of any profit (rather than simply income). And I've not been provided with anything further that leads me to think any differently on this point.
- Although I appreciate Miss H disputes the severity of financial difficulty she was in prior to receiving the loan, I still think it is reasonable to say that she was in a level of difficulty already. While noting what she says about the resolve loan, this wasn't the sole basis of my finding in this respect. Miss H already had one CCJ, was in receipt of Universal Credit payments (which I note were for the purpose of housing benefit but nonetheless demonstrate a low income such that she was eligible for such support) and had a number of outstanding debts that a large portion of the Bounce Back Loan funds were utilised to repay.

Finally, I've reconsidered the impact that these matters have had on Miss H and the extent to which Barclays' errors were the cause of her ill health. Miss H has highlighted that her diagnosis came after these issues. And it is clear to me that they would've had a significant impact on her state of mind. However, I explained in my provisional decision that it is difficult for me to cite the bank's actions as a sole or primary cause, when I'm not qualified to do so. And while Miss H has sent me evidence to confirm her good mental health sometime prior to the issues in question (from February 2018), she hasn't provided me with any medical evidence to show that it was the errors by the bank that caused the health problems she later experienced. I still think, therefore, that £2,500 is fair compensation for the substantial distress and inconvenience Miss H was caused by what Barclays did wrong, and the impact this had on her wellbeing.

In closing I would like to reiterate that Barclays made significant errors in handling Miss H's loan application and subsequent reversal of the funds, which had a severe and regrettable impact on Miss H. My findings have concentrated largely on why I'm awarding the level of compensation I am, as Barclays has accepted its errors and Miss H – understandably – feels strongly about how things should be put right. This shouldn't be seen as downplaying either the gravity of the bank's mistakes or the impact they've had. I've carefully considered everything afresh in reaching my final decision, and having taken everything into account I still think that the write-off the outstanding £25,000 debt – of which Miss H will therefore have the benefit without needing to repay – and £2,500 compensation represents a fair resolution.

to the complaint. And while I know this isn't the outcome that Miss H was hoping for, I hope that she is at least reassured that I've taken everything she has said and provided us into account when reaching my decision.

### **My final decision**

For the reasons I've explained, I uphold this complaint and require Barclays Bank UK PLC to:

- Write off the amount owing on Miss H's overdraft;
- Instruct the removal of any adverse credit information about the account, overdraft and resolve loan since the Bounce Back Loan reversal on 3 July 2020; and
- Pay Miss H compensation of £2,500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 15 November 2022.

Ben Jennings  
**Ombudsman**