

The complaint

A company, which I'll refer to as "D", complains that Barclays Bank UK PLC unfairly recalled funds provided through a Bounce Back Loan.

Mr F is D's director and brings the complaint on the company's behalf.

What happened

D banked with Barclays and successfully applied to the bank for a Bounce Back Loan of £50,000, which was drawn down on 19 May 2020.

A few days later, Barclays conducted a review of D's account and its Bounce Back Loan application. It restricted D's access to the account while it did so.

Barclays concluded that it shouldn't have given the loan to D and decided to reverse it. The bank removed £49,999.96 from D's account on 29 May, with a view to repaying the loan. It also removed the remaining account balance of around £11,000. The bank account was closed on 10 September, and the £11,000 was belatedly released to D on 28 January 2021.

While Barclays intended to settle the Bounce Back Loan, it did not do so correctly and the account remained live. So it continued to pursue D for repayment, with the debt accruing interest and ultimately being transferred to a debt collection agency.

Mr F doesn't think Barclays has treated D fairly. He says, in summary, that:

- D was entitled to the Bounce Back Loan it had obtained and Barclays' removal of it caused the company severe difficulties. He had to obtain alternative funding at a much higher cost to keep the business running. And D was left without funds to pay its corporation tax on time, incurring late payment charges and interest.
- The £11,000 balance comprised an HMRC furlough grant, which D was left unable to access for several months. This meant D couldn't pay its employees, which in turn led to them refusing to work and the company missing out on jobs and, therefore, revenue. And he had to spend a lot of time and effort chasing Barclays up to arrange the release of these funds.
- While the bank account remained open, but with the funds having been removed, D incurred additional charges and interest as Direct Debit payments were honoured and this took the account into an unauthorised overdraft.
- Barclays has wrongly pursued D for repayment of the Bounce Back Loan, despite the funds having been returned.
- He is concerned that Barclays treated D this way because of his nationality. This, and the matter as a whole, has caused him significant distress and impacted his mental health.

Barclays says that all of its actions were taken in line with the applicable terms and conditions, and that it reached the right to decision to withdraw both the account and the loan from D in the circumstances. It has accepted that there was a delay in arranging the closure of the account, which ought also to have been processed on 29 May. And it has recently confirmed that the Bounce Back Loan wasn't settled correctly either, which it is now attending to.

My provisional decision

I issued a provisional decision on D's complaint last month – setting out what I thought and inviting both parties to respond with anything else they wanted me to take into account before I made a final decision. I said:

The recall of the Bounce Back Loan

Although the loan was initially approved and drawn down, Barclays was entitled – and expected – to continue to keep matters under review. This is in line with its anti-fraud obligations both under the Bounce Back Loan Scheme and its wider legal and regulatory requirements.

Upon review, Barclays concluded that it shouldn't have approved D's Bounce Back Loan application in the first place. I've reviewed the basis on which it reached this decision, and I think it was reasonable. Lenders were expected to carry out certain checks, including fraud, Know Your Customer and anti-money laundering checks – and the bank has shown that D's application failed these.

In addition, I don't think – from what I've seen – that D was entitled to the loan amount it obtained. Under the rules of the Bounce Back Loan Scheme, an applicant could borrow up to a maximum of 25% of their annual turnover. So, to be eligible for a loan of £50,000, D needed a turnover of at least £200,000. Businesses established after 1 January 2019 – as D was – were entitled to use an estimate, but the application form explained that this needed to be the "estimated annual turnover from the date you started your business". D was established on 31 July 2019, and its income from that date until it applied for the loan on 18 May 2020 was around £38,000. While I do appreciate that the guidance on this point could've been clearer and that Mr F may have used the figure in good faith, I don't think that £200,000 represented a reasonable estimate.

It is regrettable that Barclays approved the loan initially, only to subsequently reverse this decision and recall it. But the terms and conditions allowed the bank to take the action it did, and I think it was a reasonable course of action in the circumstances. It was able to recover the loan funds swiftly, before D utilised any of them – thereby limiting any adverse impact that this would have on the company.

While I appreciate D may have been intending to rely on the funds, I've not seen that it took any action in such reliance (for example, by entering into a contract that it was then unable to fulfil) – or that it incurred any costs in doing so. And while I recognise that this will have left D unable to obtain another Bounce Back Loan elsewhere, I don't think it would've been able to do so anyway – given that any other application would've likely failed for the same reasons that Barclays ultimately declined its request.

It follows that I'm not intending to uphold this aspect of the complaint or instruct Barclays to compensate D for any losses arising from being without the Bounce Back Loan.

It is evident, however, that Barclays made errors in closing down the Bounce Back Loan account once it had decided to terminate the agreement. Although it removed the funds from D's account on 29 May, the bank failed to apply these to the loan to settle it. The loan agreement has, therefore, remained in place. Interest has accrued on the debt. And the bank has continued to pursue D for repayment, as have debt collectors on the bank's behalf. Adverse information has also been recorded about the unpaid debt with credit reference agencies.

D shouldn't have incurred any additional interest or charges in respect of the loan, as it shouldn't have been provided and, in any event, Barclays ought to have been repaid it on 29 May. So the bank will now need to settle the debt and write off or otherwise cover any additional amounts that have been applied to it. It should also instruct the removal of all adverse credit information that has been recorded in respect of the loan.

In addition, I can see that this aspect of things has caused D some avoidable inconvenience. Mr F has had to follow up with Barclays unnecessarily, trying to explain what has happened and why D doesn't owe the bank any money – and in an attempt to protect the company's credit rating. So I've factored this into my proposed award for compensation, which I'll come on to below.

The restriction and closure of the bank account

While Barclays was conducting its review, it applied a restriction to D's bank account. The terms and conditions of the account entitled it to do this, and I think it was reasonable in light of its concerns as to D's eligibility for the loan it had obtained. Barclays was also entitled to end its relationship with D and close the account, and there's no basis on which I could say that decision was unreasonable.

The review was concluded swiftly – having begun around 22 May and completed on 29 May, when the bank decided to reverse the Bounce Back Loan. I think D ought to have been able to access its funds from 29 May onwards, but it couldn't – because Barclays made mistakes in how it processed the closure of D's account. I'm not wholly persuaded it was reasonable for Barclays to have removed funds from D's account other than the Bounce Back Loan, which were evidently received through a furlough grant. Either way, it seems to me that D ought to have been able to access these shortly after 29 May once the bank had completed its review. But this wasn't possible. While the bank's records of its actions are limited, it is accepted that there was a delay in processing the closure of D's account (which was only done some four months later, in September). And the funds were only released to D in January 2021, after Mr F visited a branch. Again, I'm not convinced that ought to have been necessary in the circumstances here.

As I think D was deprived the use of its funds from 29 May 2020 until their release on 28 January 2021, I've thought about the impact this had on the company. Mr F has explained that D was unable to pay staff, which in turn meant that it missed out on work. I've not been provided with sufficient evidence to confirm this, or to show what losses D sustained in this respect. Mr F says D had to borrow money from third parties at higher costs, but I've not seen that the company suffered any losses in this respect either. The loan agreement he's provided is in his own name – rather than D's – and I've not seen that it was used for the specific purpose of paying staff, as the furlough grant was.

I can, however, see that D was caused some inconvenience as a result of being without its funds – in having to chase matters up with Barclays far more than was necessary. And I can accept at face value that there would've been some impact to D's operations – and particularly its ability to pay, and retain staff – in the months it was left unable to access the funds it had held with Barclays. So to compensate the company for this, and the subsequent inconvenience it experienced as a result of the bank's failure to settle the Bounce Back Loan facility correctly, I am intending to require Barclays to pay D £750.

I can also see that, with the account remaining open but with funds having been removed, at least one payment was taken that took the account into an overdrawn position that incurred interest. I don't think it's fair that D incurs any additional interest or charges in the circumstances, so Barclays should write off or reimburse any debit interest that was charged between 29 May 2020 and 10 September when the account was belatedly closed.

Lastly, I should say that I am sorry to learn of the toll that these matters have taken on Mr F. I don't doubt that they have caused him some understandable worry – and while I've not found the bank to be at fault in all aspects of the matter, it did make some mistakes that would've exacerbated his concerns. But as D is the eligible complainant under our rules, I can't make an award to Mr F in his personal capacity for any distress he was caused by these issues. I should also say that I've carefully considered Mr F's concern that Barclays' actions were motivated in some way by his nationality. And I'm sorry that he's had cause to even consider this. But having thoroughly reviewed the basis of the bank's decisions, I'm satisfied that they were the result of its reasonable concerns as to D's eligibility for the loan it had obtained as I've explained above.

Barclays accepted my provisional decision. We didn't receive a response from D.

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 neither party having provided me with anything else to take into account in light of my provisional decision, I've not seen reason to reach a different conclusion.

So this final decision simply confirms my provisional findings, as set out above.

My final decision

I uphold this complaint and require Barclays Bank UK PLC to:

- Settle the outstanding Bounce Back Loan, writing off any amounts over and above the £50,000 principal;
- Instruct the removal of all adverse information recorded by credit reference agencies in connection with the Bounce Back Loan;
- Write off or reimburse, as may be appropriate, any debit interest charged to D between 29 May 2020 and 10 September 2020; and
- Pay D compensation of £750.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 1 December 2022.

Ben Jennings
Ombudsman