

The complaint

Mr K complains that he should have had a payment holiday on his loan from Barclays Bank UK PLC (Barclays).

What happened

Mr K had a personal loan from Barclays. It was originally for £22,900 and was drawn in October 2018. Monthly payments were £574.91. Mr K ran into difficulties because of the pandemic and called Barclays to ask for a payment holiday (PH) in April 2020. This wasn't put in place. Barclays agreed a standstill agreement instead. The repayments weren't made and the loan fell into arrears. Barclays sent Mr K arrears letters in May 2020 and June 2020. In October 2020, Barclays agreed to a payment plan under their 'resolve' scheme. This was for an interest free loan for the balance, with payments of £207.78 each month. Two qualifying payments were made – in November 2020 and December 2020, but the third one wasn't made. In February 2021, Barclays sent Mr K a Notice of Default which asked for payment of the arrears of £5,700.67 by 11 March 2021. This wasn't paid and Barclays defaulted the loan. In November 2022, the balance was £18,966.59.

Mr K complained. He said he had been given a payment holiday (PH) in April 2020, and so the arrears on the loan, and the default, weren't fair.

Barclays declined Mr K's complaint. They said that when Mr K called in April 2020, the next monthly payment on the loan was due within four days and so a PH couldn't be set up. An informal arrangement was put in place which suspended payments, but arrears would still be built up. Mr K was advised of this on the call, and that a default would be applied after six months of missed payments. Since April 2020, Barclays wanted to discuss Mr K's income and expenditure with him – to see what could be agreed as a payment plan. They tried to contact Mr K, without success. So, because of this, the loan defaulted.

Mr K brought his complaint to us. Our investigator said Barclays acted reasonably. When Mr K called them in April 2020, he was advised a PH couldn't be agreed at that time. Our investigator could see why a PH wasn't agreed. A three-month arrangement was put in place instead, and when Mr K's work picked up he was to call Barclays to discuss what could be done then. No payments were made for the three-month period and then Barclays called Mr K in September 2020. They wanted to complete an income and expenditure affordability, but this wasn't done as Mr K said he didn't have the time. And when payments weren't then made, a default was registered – as Mr K had missed more than six payments.

Mr K didn't agree. Barclays then reviewed his complaint again and said they might have been more sympathetic to his request for a PH in April 2020. So, in May 2020, they offered a 'resolve' interest free loan of £19,000 to Mr K, payable over 92 months, with monthly payments of £206.93. Mr K was to make three monthly payments – to show he could afford these, and then the default and arrears would be removed from his credit file. Mr K considered this over a long period but in November 2022, he said he didn't accept the offer as he said interest was still accruing. He said this was unfair.

And so – Mr K's complaint has come to me as ombudsman to make a final decision.

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.

Mr K called Barclays in April 2020 to ask for a payment holiday. His income was affected by the pandemic. In such circumstances, Barclays had to decide whether he qualified for a PH.

To say what the scheme was: in April 2020, the Financial Conduct Authority (FCA) announced guidance to lenders in response to the effects on customers of the COVID-19 pandemic. All lenders, including Barclays, had to put in place 'payment holidays' on many credit agreements, including personal loans – to help customers who were affected. Customers could ask for a total of two payment holidays each of three months – whereby payments could be suspended. Missed payments would not be reported to credit reference agencies, although interest would still be debited to the accounts. This support was provided by firms up to the end of October 2020.

The intention was to provide short term support – usually in cases where customers would be returning to work within a short period of time. And so – where a customer's situation was that they were in longer term difficulty, then payment holidays under this scheme weren't normally agreed.

And so here – for Barclays to agree a PH, they had to be sure it qualified under the scheme – in other words, to make sure Mr K could return to work in the short term – within three months or so – so he could resume payments. On the call, that wasn't clear – Mr K said he couldn't afford the payments, but there wasn't a discussion about his prospects of returning to work. And so, Barclays put a short-term hold on payments, and asked Mr K to contact them during that time – so they could see what his situation was then. They also wanted to complete an income and expenditure form – which was normal to help understand Mr K's situation.

I can see that Barclays tried to contact Mr K to do this, but without success. They also sent to him several arrears letters which showed that Mr K was behind with his payments. When Mr K called Barclays in October 2020, he said he had returned to work – and he could then afford the repayments. So, Barclays set up an interest free 'resolve' loan which needed three qualifying payments of £207.78. But only two were made, and so the new loan failed to go ahead. I can see there were some failed attempts to speak to Mr K at that time.

And then – a Notice of Default letter was sent in February 2021, following which Mr K complained.

I can see why Barclays didn't agree to a PH in April 2020 – because it wasn't clear if Mr K could return to work in the short term. So, they were entitled to put a short-term hold on payments. I can also see they wrote to Mr K after the call to say payments were suspended and that a default notice would be sent in September 2020. The balance was then £18,966.35.

It was unfortunate that after April 2020, there wasn't a meaningful discussion between Mr K and Barclays – by which I mean a full run down of his employment situation, and the completion of an income and expenditure form. Barclays did try to call him but he was unavailable or said he didn't have time.

In all honesty, I think Barclays did a lot to help Mr K here. But - they could've been clearer with Mr K that his request for a PH had been declined in April 2020, and exactly what his options were at that time. They might have agreed to a PH with effect from May 2020 – but

equally, they needed to be sure that was the right thing to do for Mr K, and that he qualified for the scheme. They could've been more proactive in contacting Mr K between April 2020 and September 2020 to discuss his needs - the first contact was on 2 September 2020. So – matters did drift on for a period.

Barclays have recognised this and made an offer to Mr K – an interest free loan for the balance of £19,000, payable over 92 months. And once Mr K has made the first three payments of £206.93, the default and arrears will be removed from his credit file. Mr K has taken a long time (since May 2022) to respond to this offer. And he has now rejected it – he says that interest has been applied. It looks to me that there may have been a small amount of interest added in 2020 - as the balance increased by £416. Otherwise, no interest has been added since April 2020 to the present date. And in the circumstances of what happened, I'm not going to ask for any refund here.

It seems to me that Barclays' offer is a generous one, but it is for Mr K to decide if he wishes to accept it. Barclays have issued a loan agreement which hasn't been signed by Mr K. So, in issuing this final decision, I ask Barclays to issue it again – and in line with their normal process, give Mr K 30 days to sign and accept it. It is of course up to Mr K if he accepts it, and if he doesn't then Barclays will be entitled to return to their normal collection processes.

My final decision

I uphold this complaint. Barclays Bank UK PLC must:

- Reissue the offer of an interest free loan for £19,000, payable over 92 months. Payments of £206.53 per month. Once three qualifying payments have been made, remove the default and arrears from Mr K's credit file. It is in order to ask Mr K to sign this within 30 days.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 December 2022.

Martin Lord
Ombudsman