

The complaint

Mrs K complains about how Barclays Bank UK PLC handled the repayment of her overdraft and that it provided her with misleading information.

What happened

Mrs K's account had been in overdraft for a fair amount of time. Around March last year, she set up a repayment plan with Barclays and the bank agreed to freeze any charges for around six months. Around August, Barclays wrote to Mrs K, asking that she repays the full balance of the overdraft to avoid her account being terminated.

Mrs K paid off the overdraft balance ahead of the deadline Barclays had set, but her card was cancelled shortly after so Mrs K thought her account was being closed. When she spoke to the bank, Mrs K says she was advised by Barclays to open a new account – after doing so, Barclays later confirmed that her account had in fact remained open.

Mrs K complained and Barclays offered her £50 compensation for the inconvenience it caused her. Remaining unhappy, Mrs K asked this service to get involved. She says she had to make numerous phone calls and branch visits to the bank about this issue. Mrs K adds that she went through the inconvenience of changing her direct debit details with various companies, only to later find that her account remained open. Mrs K says she suffers from depression and anxiety, so the bank's wrongdoing exacerbated her symptoms.

One of our adjudicators agreed that Barclays hadn't acted fairly and asked the bank to increase its compensation award to £100. Barclays agreed, but Mrs K doesn't accept this as a resolution because of the time she spent dealing with the matter and because of the stress she says she experienced.

As the complaint remains unresolved, it's been passed to me for 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.

Having done so, I agree that increasing the compensation offer to £100 is a fair way to resolve this complaint – I'll explain why.

An overdraft is repayable on demand – so Barclays can ask Mrs K to repay the full overdraft balance at any time. Mrs K's account had been in overdraft for some time, and I can see that the bank had already notified her in March that it would request repayment of the full balance. So I think Barclays acted fairly when it asked Mrs K to repay the overdraft balance.

Barclays also seems to have taken reasonable steps to support Mrs K in repaying the balance via instalments. I can see in March that the bank agreed with Mrs K's repayment proposal. Mrs K indicates that her financial circumstances weren't in a good position, given she wasn't working, and this is why she felt the need to make use of her overdraft more than

usual. In such circumstances, I would expect Barclays to show some understanding and support Mrs K to repay what she owes in a way that is manageable for her.

Although the bank did point out that Mrs K's repayment proposal wasn't sufficient, it nevertheless agreed to her making repayments in the way she set out. So I'm satisfied that Barclays exercised a reasonable degree of flexibility here.

As much as I think Barclays was within its rights to seek repayment of the full balance, I do think that the information and advice to Mrs K since has been poor. I'll explain why.

The letter Barclays sent to Mrs K in March explained that it would send her a termination notice and that her account will be closed if the outstanding balance isn't paid on time. I can see that Barclays indeed sent Mrs K a termination notice in August, giving her until 24 September to pay off the overdraft balance and prevent her account from being closed. Mrs K paid off the balance a few days before the deadline. However, Barclays cancelled her card shortly after the deadline. Barclays later pointed to a failed system update to reflect Mrs K's repayment as being the cause for this.

Believing her account had been closed, Mrs K queried this with the bank. It seems Barclays was unable to correct things at this stage and Mrs K continued to believe her account had been closed. Mrs K says she was advised to open a new account, which she did and arranged to transfer her outgoings to her new account. Barclays later confirmed that Mrs K's original account hadn't been closed, but this was over a week after she'd opened the new account.

In my opinion, Barclays should've updated its system to reflect Mrs K's repayment, particularly as she cleared the overdraft balance a few days before the deadline. Barclays acted unfairly when it cancelled Mrs K's card anyway and led her to believe her account had been closed. Barclays also unreasonably advised her to open a new account, causing her the inconvenience of setting up this new account and moving over her outgoing commitments.

Barclays should've confirmed straight away that Mrs K's account would remain open. Moreover, given the error was caused by something Barclays did wrong, the bank should've taken steps to support Mrs K in handling her account related admin, such as her direct debits.

For these reasons, I'm upholding this complaint as I don't agree that £50 compensation fairly reflects the distress and inconvenience Barclays caused.

Putting things right

Mrs K experienced an unnecessary degree of distress and inconvenience because of what Barclays did wrong. Mrs K had to set up a new account and rearrange several direct debits. She also spent time contacting the bank about this issue.

I can also see that Mrs K experienced stress throughout the period of this issue and I agree that Barclays is responsible for some of this. But I can see from Mrs K's comments that some of this stress was related to the fact that she had to repay the balance of the overdraft. As I pointed out earlier, Barclays acted fairly when it requested that she clear the balance of her overdraft. I know that Mrs K was going through a challenging period because of her financial circumstances, but given I think Barclays was fair to request that the overdraft be repaid, I don't find that it needs to award anything because Mrs K found it stressful to do so.

To put things right, Barclays should increase its compensation award to £100. I understand

that the bank may have already paid the original £50 that was offered, so it only needs to pay Mrs K the remaining amount.

My final decision

I'm upholding this complaint. Barclays Bank UK PLC should settle this complaint in line with what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 17 July 2023.

Abdul Ali
Ombudsman