

The complaint

Mrs A complains that Barclays Bank UK PLC didn't provide enough notice of the amount due to settle her loan.

In bringing this complaint Mrs A is represented by her husband. For ease I've reading, I've simply referred to Mrs A throughout this decision.

What happened

Mrs A took out a loan with Barclays in October 2019 for £6,800. The loan was taken over 36 months and was due to end in October 2022. The monthly repayment was £256.28 including interest.

In April 2020 Mrs A took a three-month payment holiday under the temporary covid relief guidance set out by the Financial Conduct Authority (FCA). When the payment holiday ended, Mrs A continued to make her normal contractual payments. But on 11 January 2023 Barclays wrote to Mrs A to say that a final payment of £948.20 was due on 26 January 2023.

Mrs A says she knew that the missed payments would need to be paid back but she thought the loan term was being extended and that she was paying the additional interest over the full term. And she was shocked that Barclays only provided two weeks' notice of the final payment amount due given it was significantly higher than her normal monthly payment.

So, she complained to Barclays about the short notice it provided. Barclays didn't uphold the complaint. It said it wrote Mrs A in July 2020 to say that the final payment would be more than normal.

Unhappy with the response, Mrs A referred the complaint to this service. At this point she added that she was unhappy with the service she had received from Barclays since contacting it about the matter and that Barclays had not explained what options were available to her to help her repay the final balance. She explained that the whole matter had caused distress and inconvenience at a time when experiencing some health concerns.

One of investigators looked into the complaint. He acknowledged that Barclays had told Mrs A – in July 2020, that her final payment would be more than the normal amount. But he thought Barclays should have provided Mrs A with more notice of the final payment given the amount of it. And, in not doing so, he thought Mrs A had been caused distress and inconvenience in having to find the funds at short notice. So, he recommended that Barclays should pay Mrs A £150 compensation.

Mrs A accepted the outcome. But Barclays disagreed with it. It didn't think that the final amount should have come as a surprise to Mrs A as it had told her – when the payment holiday ended, that the loan term was being extended and the final payment would be higher than the normal payment. Barclays asked for an ombudsman to review the complaint. So, the complaint has been passed to me to decide.

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.

Mrs A hasn't disputed that she was required to pay the three payments she missed in 2020 following a covid payment holiday. Nor has she disputed the final amount needed to settle the loan. Rather the crux of her complaint is that Barclays didn't provide enough notice of the final amount due which caused distress and inconvenience given it was over three times her normal monthly payment.

I understand that since the complaint has been with this service, Mrs A has been able to repay what was owed. And Barclays has confirmed that Mrs A's credit file has not been negatively impacted due to this matter. So, what I need to decide is whether Barclays treated Mrs A fairly by providing sufficient notice of the final payment amount given the individual circumstances of this complaint.

When introducing the temporary covid guidance (and subsequent updates) the FCA set out some general principles that a lender needed to take into account. Under the section '*Customers able to resume full payments*' the FCA said:

'If the firm permits the customer to repay the deferred amounts over a longer term, it should give the customer adequate information that explains they could pay more over the lifetime of the agreement'.

Barclays has provided a copy of the letter it sent to Mrs A when the covid payment holiday ended in July 2020. This says:

'When your monthly loan payments restart, we won't increase them to cover that additional amount, so there will be a one-off sum to be repaid at the end of the loan, once all of your monthly payments are complete, including interest that will have been charged on it as normal'.

So, while Mrs A may have forgotten receiving the letter, I'm satisfied that Barclays did explain that there would be a higher monthly payment at the end of the extended term. That said, the letter doesn't give any indication of how much that final payment would be. And I haven't seen anything else that would have made Mrs A adequately aware of what the final payment would be.

Having thought about this carefully. I think the important factor here is the amount of the final payment that was due in Mrs A's situation and the length of time that had passed since Mrs A's payment holiday ended. The final payment was more three times the normal monthly payment and well over a year since the payment holiday ended. And I'm persuaded that finding out the amount of the final payment with only two weeks' notice and then having to raise the funds to cover the payment in that short timeframe would have been distressing and inconvenient for Mrs A. So, I find that Barclays could have done more than it did to put Mrs A on notice of the amount she would need to pay sooner than it did. In not doing so it didn't treat her fairly given the individual circumstances of this matter.

Our investigator recommended that Barclays should pay Mrs A £150, and for the reasons given above I think this amount is fair.

My final decision

For the reasons given above, I uphold Mrs A's complaint.

Barclays Bank UK PLC should now pay Mrs A £150 in recognition of the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 9 June 2023.

Sandra Greene
Ombudsman