



The complaint

M was a partnership. One of the partners, who I'll refer to as Ms P, says that it is now a sole trader business. Ms P complains on behalf of M about Barclays Bank UK PLC's handling of M's financial difficulties, in particular Barclays' failure to respond to her letters.

What happened

M is a retail business. Its trading suffered in the pandemic and it successfully applied for a £15,000 Bounce Bank Loan ("BBL") in 2020.

In March 2022, the two partners agreed to end the business partnership, leaving Ms P solely running the business.

By 2 September 2022, trading still hadn't recovered. Ms P wrote to Barclays explaining that M was no longer a partnership. She also said that M could no longer afford the BBL repayments.

Barclays didn't reply to Ms M's letter. Over the next two months, Ms P made three visits to her local branch to try and get in touch with Barclays' Business Banking department.

During this period, there was no money going into M's current account, but the BBL repayments continued to go out, resulting in an overdraft on the account.

On 8 December 2022, Ms P wrote a letter of complaint about Barclays' lack of response.

On 28 December, Ms P had a long call with Business Banking. During the call, the bank accepted that Ms P couldn't afford to make any repayments and therefore said they would "fast-track" transferring M's accounts to Recoveries. The first stage in this process was for the bank to issue a default notice for the sums outstanding. They also said they would cancel the direct debit for the BBL and stop deducting account charges. Ms P asked for a letter to confirm what they had discussed.

On 10 February 2023, having heard nothing from Barclays, Ms P referred her complaint to the Financial Ombudsman Service.

Barclays upheld Ms P's complaint on 22 March 2023. They said they hadn't received Ms P's September letter until the branch forwarded it on 7 October. They had then tried to ring her several times. They offered £150 compensation for stress and inconvenience as well as a refund of charges from the date of the 28 December call.

On 24 March 2023, Barclays issued a default notice, giving Ms P a month to repay M's overdraft. In June 2023, they transferred M's accounts to an external debt collection agency.

One of our investigators looked into what had happened. He thought Barclays had made some errors by not contacting Ms P earlier and not sending the formal demand as promised in the December call until March. He thought the offer of £150 compensation was fair, but also thought Barclays should refund all interest and charges on the account from October 2022 onwards.

Barclays accepted our investigator's recommendation, although they said they hadn't sent the default notice because their procedures said they should wait until they'd resolved Ms P's complaint.

Ms P didn't agree. She made the following points, in summary:

- She felt our investigator had failed to understand the impact on her mental health caused by Barclays' inaction. The offer of £150 wasn't enough to reflect the degree of upset caused by what was a protracted and still ongoing saga.
- Barclays had continued to charge account fees until 12 April 2023.
- She hadn't received any voice messages or emails or other contact from a named party at the bank.
- Our investigator had suggested she was more upset about paying the debt, which wasn't the case.
- The situation had been going on for nine months (as at June 2023). Our published scale for compensatory awards on our website mentioned an award of up to £750 where "the mistake has caused considerable distress, upset and worry – and /or significant inconvenience and disruption that needs a lot of extra effort to sort out" and the impact lasts over many weeks or months". She thought this applied in her case and therefore felt £150 was disproportionately low.

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've reached the same conclusion as our investigator, for essentially the same reasons. I realise this will be a disappointment to Ms P, so I'll explain why.

It's unfortunate that Barclays appear not to have received the letter Ms P says she sent on 2 September 2022, but I don't think I can fairly hold them to blame for that. Barclays say they received this letter around five weeks later, on 8 October, when Ms P's local branch forwarded it to Business Banking at her request. The bank have provided evidence that they then made three attempts to phone Ms P to discuss her letter on 8 and 9 October. She didn't answer the calls, although I note there is some suggestion that they were calling her on an old number at that point, despite Ms P having given her local branch a new number.

The bank sent various standard letters regarding M's overdraft and tried to call Ms P again towards the end of November and several times in December - and I think there's no dispute that these were to the correct number - before finally having a substantive conversation in late December.

In my view, Ms P's letter and three visits to the branch made it clear that M was in financial difficulties and Ms P needed to discuss these with the bank. The state of M's bank account ought also to have indicated to Barclays that there was a problem. Given this position, I agree with our investigator that Barclays ought reasonably to have tried harder to contact Ms P, particularly given the lack of funds to meet M's BBL repayments. I say this partly because even if the bank rang the correct number, it appears they left no messages and the branch was only able to pass on messages from Ms P, not facilitate a conversation.

Ms P has pointed out that the debt on M's current account is comprised entirely of BBL instalments and charges and interest. This decision - to let an overdraft build up on a current account by allowing loan repayments to go through rather than returning them for lack of funds - is a judgement the bank is entitled to make. It doesn't (aside from the interest) make any difference to the total amount owed by M across its accounts.

There's no obligation on a bank to write off debts just because they are told a business is in difficulties. So I don't consider there was any error by Barclays in seeking repayment of M's debts from the partners or in moving M's accounts to their Recoveries function and then external debt collectors. Banks are entitled to take fair actions to recover their debts and I think these steps were fair. Under the terms of the BBL scheme, banks are also required to take all reasonable steps to obtain repayment before any claim under the government guarantee can occur.

The decision on when all steps to recover a debt are exhausted is one for the bank/ the external debt collectors. But the bank should, in my view, carry on their recoveries process in a timely manner and not delay unduly. With this in mind, I also agree that they shouldn't have waited until March 2023 to make formal demand, notwithstanding the ongoing complaint and their usual procedures in this regard. I say this particularly because the bank undertook to make formal demand promptly in the phone call in late December 2022. They also said they would put what was agreed in writing and failed to do so.

This leaves me with the matter of the appropriate level of compensation for Barclays' poor service. First, I think if the bank had had a conversation with Ms P earlier, then they would have frozen charges and interest at that point. I therefore agree with our investigator that a refund of charges and interest from October is appropriate.

I know Ms P has said that it is solely the actions of Barclays that have caused her distress, not the situation itself. She regards the bank's errors as entirely responsible for considerable stress lasting for many months. But I'm afraid I'm not persuaded that it's fair to hold the bank solely - or even largely - responsible for this.

I have no doubt that Ms P has been through a very distressing time. I can see that it has been deeply upsetting for her to have her business fail and realise that it is unable to repay its debts. And I can also see that she wants to resolve things and move on as quickly as possible. However, I'm mindful that Barclays isn't responsible for the business failure. The bank's poor service has resulted in matters being somewhat more protracted than they might have been. But it was always likely to have taken some time to resolve, and to have required some time and effort on Ms P's part.

Complaints where I think a higher level of compensation is merited are often those where I can see that dealing with the bank's error took up large amounts of the complainant's time in a way that shouldn't have been required. But I don't think this has been the case here. I also think that there are proactive steps Ms P could have taken to speed things up – for example, phoning the bank herself and persisting even if it was frustrating or difficult to get through, as well as telling the bank promptly about the departure of her business partner. So all in all, I don't think it would be fair to require Barclays to pay more compensation here.

Putting things right

Taking all the circumstances into account, and bearing in mind our published guidance on compensation levels, my conclusion is that the £150 already offered by Barclays is enough to cover the distress and inconvenience caused by Barclays' poor service in this case.

In addition to this, the bank should refund any charges or interest on the current account incurred after 8 October 2022 (charges are made in arrears, so amounts debited after 8 October 2022, but incurred in earlier periods, may still be charged). Interest should be added to these amounts at the rate of 8% simple per year, from the date debited until the date of settlement, as compensation for M being deprived of this sum for that period.

My final decision

For the reasons explained above, I uphold this complaint and direct Barclays Bank UK PLC to pay compensation as I have specified.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 28 November 2023.

Louise Bardell
Ombudsman