

The complaint

Mr S, director of B Ltd, complains on its behalf that Barclays Bank UK Plc mismanaged its overdraft and then unfairly closed its account.

What happened

B Ltd had an overdraft facility with Barclays of £25,000. On 14 January 2022, Barclays paid a direct debit of £5,257 taking the account into overdraft of £30,257. Mr S said Barclays' process is to alert a customer so they can either fund the account or reject the payment, but Barclays did not provide timely notification.

Mr S said Barclays agreed the payment shouldn't have been made, but was too late to recall and in March 2022 said it would extend the overdraft to cover the payment. Mr S said this didn't happen and Barclays later requested full repayment of the overdraft. Mr S said in October 2022 B Ltd spoke to the third successive person with responsibility for their banking relationship at Barclays who asked what had happened and raised a complaint for B Ltd.

Barclays responded in December 2022 and apologised for poor service and offered £200 compensation, but demanded payment of the overdraft. Barclays said the Business Customer Agreement (the Agreement) covers 'Unarranged Overdrafts' as follows: *'It may be that a payment instruction or us taking an amount from your account would result, without prior arrangement, in the account becoming overdrawn, or the agreed overdraft limit being exceeded. If so, we may in our sole discretion and without contacting you, allow an overdraft to be created or allow the agreed overdraft limit to be exceeded. In these circumstances, the new or excess overdraft is an unarranged overdraft, and you will be charged at the applicable rate for unarranged borrowing'*. Mr S said he didn't get this until February 2023 as it went to an address B Ltd hasn't occupied for some time

Mr S said Barclays' complaint handler was unsuitable, being too junior and inexperienced and this jeopardised B Ltd's long relationship with Barclays. Mr S said Barclays relationship managers are confused about its payments process and hadn't said it was within Barclays' 'sole discretion' to make payments on B Ltd's behalf. Mr S disagreed with Barclays about the consequences of its poor service. He said it's absurd and unjust of Barclays to refuse to put B Ltd back into the position it would have occupied on 14 January 2022.

Mr S said Barclays refusal to extend B Ltd's overdraft went against its advice that it should be extended to at least £35,000. He said interest or charges from exceeding the previously agreed limit should be refunded and its bank account reinstated, and its overdraft at least restored to its previous level of £25,000 with a repayment of the sum of £5,257.

Mr S referred B Ltd's complaint to our service. Our investigator didn't recommend that it be upheld as she felt Barclays acted fairly and in line with the Terms and Conditions of the account. She said B Ltd had taken no action was expected to bring its account back within the terms of the Agreement, and the Agreement and the Consumer Credit Act 1974 allowed Barclays to close the account. She said Barclays gave notice of this, but again, as B Ltd didn't respond, Barclays transferred the account to its Recoveries Department.

The investigator said it's the responsibility of the account owner to keep contact details up to date and to notify Barclays of any changes. She said Barclays' demand letter of 30 June

2022 was sent to both addresses listed for B Ltd, together with SMS Texts. She said Barclays have no record of an update of the address as suggested by Mr S for B Ltd.

On behalf of B Ltd, Mr S disagreed with the investigator. He said Barclays admitted poor customer service but have not “put things right”. Further, there's no recognition of Barclays' legal obligations to provide correct, reliable information to customers. Mr S said that had B Ltd received better customer service, this matter wouldn't have escalated. He said Barclays have avoided disclosing information, in particular the initial interactions with Barclays, which are vital to the correct resolution of this dispute.

Mr S said he'd given Barclays his home address for B Ltd and had seen this on its records. He said the Agreement states: *'If we use the most recent postal address you've given us and something is returned to us as undelivered, we'll stop using that address...'*. He said as B Ltd was no longer at the address Barclays used, its post should have been returned to Barclays and it should have stopped using that address. Mr S said that Barclays promises to contact customers by email as well, but didn't and its relationship managers could have communicated with B Ltd to resolve the matter prior to any formal demands being issued.

Mr S requested disclosure of call recordings, texts, written communications and documents and a complete chronological list of all correspondence, including statements, documents and marketing materials.

The investigator obtained further information. She said Barclays acknowledged it gave B Ltd incorrect advice about its overdraft and there were several relationship managers. She said from calls made by Mr S in 2021 and 2022 a change of address was given but not for B Ltd, which was as given by Mr S in December 2019. She said Mr S hadn't provided any contrary evidence. Recovery action followed a lack of response from B Ltd to the correspondence sent to the listed address. She said we're not regulators so we can't tell Barclays to stop recovery action and reopen B Ltd's account.

The investigator said that Barclays can't contact customers individually by email/phone to discuss their account; letters and texts are automated. She had seen a copy of a text to Mr S's mobile about B Ltd's account being overdrawn and offering help and it's the customer's responsibility to keep contact details up to date. She said the £200 compensation was fair as the account closure didn't stem from the advice but occurred because B Ltd failed to respond to Barclays' communications to bring the account back to balance.

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.

B Ltd's complaint is essentially that Barclays shouldn't have paid a Direct Debit that exceeded its overdraft, and then misled it that the overdraft would be extended (or subsequently increased) to cover the overpayment. Mr S has said that Barclays should have advised B Ltd that it can make a payment “in their sole discretion” beyond the agreed overdraft terms.

Mr S has provided very detailed submissions of B Ltd's complaint. I hope he doesn't consider it a discourtesy that I haven't referenced every one of his points. I have tried to focus on the key issues that he has raised. Mr S has requested a lot of information from Barclays, and our investigator has provided the correspondence between the parties and other items. Mr S wants more information than we hold, but I can assure him that I have sufficient information to reach this decision and our investigator has provided him with all the information we've relied on with his complaint. If Mr S requires copies/transcripts of his calls, Barclays said he can request this via its website using the data protection link.

Barclays highlighted the way in which it will treat situations such as B Ltd's where an agreed overdraft is exceeded via the terms and conditions of the Agreement (above). Also, Barclays

referred to page two of the 'Overdraft Agreement' sent to B Ltd on 9 September 2021. Under the heading 'Excess Borrowing' it states: *'If the Borrower tries to make a payment and there are insufficient funds, this will be treated as a request to use an unauthorised overdraft'*.

Barclays correctly states it is the responsibility of the account holder to ensure there are sufficient funds in the account in reasonable time to meet any payments due to go out. Barclays said it is custom and practice for such payments to be made, even when there are insufficient funds. This additional payment would be considered an 'unauthorised overdraft' and B Ltd would need to make a payment to bring the overdraft back within the agreed overdraft terms. From what I've seen Barclays has acted in accordance with these terms and conditions in its handling of the excess payment and I haven't found an error and I think this is a fair and reasonable approach for it to have followed.

Barclays agrees that it misled Mr S about B Ltd's overdraft after the excess payment, but disagrees about the redress. Mr S said Barclays should extend the overdraft as it previously suggested, or at least restore the position of January 2022 by reinstating the account and overdraft at £25,000. Mr S said B Ltd would then repay the £5,257 and Barclays should refund all interest and charges and pay compensation for the inconvenience to B Ltd. Barclays acknowledged it should have advised that the account be brought back within its limit while it considered extending the overdraft and offered B Ltd £200 compensation. Barclays explained that all requests for lending are subject to application, and it should have made this clear to B Ltd when it requested B Ltd's financial information.

I'm sure Mr S is aware that a payment by B Ltd towards the overdraft could have greatly assisted his discussions with Barclays. However, Barclays records show a number of missed payments from B Ltd during 2022 and Companies House shows B Ltd's accounts at 31 December 2022 with a balance sheet deficit of almost £2 Million (a large increase on the previous year). I agree with the investigator that it seems unlikely that B Ltd would have been able to repay the outstanding overdraft, so the outcome of the recovery action by Barclays would in all likelihood have been the same.

Mr S said B Ltd's situation was worsened by Barclays relationship managers not communicating to resolve the matter prior to the issue of its formal demands and writing to the wrong address. Barclays said it doesn't have the scope for a business manager to contact each customer by email or phone about an overdraft and its policy is to issue letters and SMS messages and then finally to send a formal demand. I think this is normal business practice for dealing with debt situations.

Mr S said Barclays wrote to B Ltd at the wrong address. We have a call recording from 2021, where Mr S asks to change his main and statement address to his residential address, but not for B Ltd. I've seen no evidence that Mr S changed the address for B Ltd and so I think Barclays correctly addressed its communications. This accords with the address details on the bank statements and all other correspondence from Barclays to B Ltd. Barclays contact notes show that Mr S confirmed receipt of letters and other communications when he called to discuss them, and so I don't think he has missed information about B Ltd.

I can see from its records that Barclays sent SMS messages to Mr S's mobile number, and letters to Mr S and I have to bear in mind that it is the customer's responsibility to keep their account information up to date. Mr S may disagree, as he thought Barclays considerations about B Ltd's overdraft were ongoing, and some information about this might have helped him. However, the records show that he received warning letters and immediate repayment letters from Barclays on which he took no action for a number of months.

As to the closure by Barclays of B Ltd's account. Barclays said it had identified a recurring trend of the account going into an excess position on numerous occasions since 2020 and not being managed in accordance with the terms and conditions of the Agreement. I can see that Barclays sent B Ltd a formal demand for repayment on 30 June 2022 for the debt then standing at over £34,000, following similar correspondence.

The Terms and Conditions of the account allow Barclays to close an account in situations such as this - *'We may also end this agreement (or stop providing services or close your accounts) immediately if we reasonably believe that you are or someone connected to you is, or is likely to be, unable to pay debts when they become due'*.

I don't think the poor customer service to which Mr S refers did lead to B Ltd's account being closed. I can see other more significant reasons for this which relate to B Ltd's non-compliance with the Agreement and its difficulty in remaining within the agreed overdraft limit.

From everything I have seen, I share the investigator's view that Barclays made reasonable business decisions about the overdraft and account closure, and has acted in accordance with the terms and conditions of the Agreement and the Consumer Credit Act 1974. I think that other than in respect of its communication about the overdraft, Barclays has treated B Ltd fairly and reasonably. And in respect of its poor communications and use of several business relationship managers, Barclays offer of £200 compensation is about right.

If Mr S would like to have payment of this compensation Barclays has confirmed that it is still available, and he should contact the bank directly about this.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 30 April 2024.

Andrew Fraser
Ombudsman