

The complaint

A company, which I'll refer to as C, complains that it suffered losses when Barclays Bank UK PLC unfairly delayed a refinancing agreement.

What happened

C had a loan from Barclays which was due to expire during 2022. In January 2022, the company started discussions with the bank about refinancing. There were delays. A new loan was eventually agreed and a facility letter was issued in July 2022. But by then, adverse credit file information had been recorded for the company.

C said that, as a result, there were problems with its move to a new energy supplier. Because of the delay, the previous energy supplier charged a higher rate for the final two weeks of supply, costing C an extra £638.91. Also, the adverse credit information meant that the new energy supplier insisted on a security deposit of £8,000 for a year.

C also said that the delays and the ongoing complaint caused the company losses because of rising interest rates.

Barclays acknowledged that it was responsible for the delays and apologised to C and its director. The bank arranged for the removal of the adverse credit file information and offered £200 compensation. C didn't think this was enough and referred its complaint to us.

Our investigator recommended that Barclays should also reimburse C for the costs of the higher tariff that the company had to pay to its previous energy supplier. Barclays said it would accept the investigator's recommendation. C didn't think the investigator's recommendation was enough. Its director said no compensation had been offered for the company losing the £8,000 deposit from its cash flow for a year. He also said that because of the complaint, C hasn't been able to refinance and fix its loan rate.

I issued a provisional decision in which, for reasons that I give below, I proposed that Barclays should, in addition to the amounts already agreed, pay compensation for C's loss of use of the £8,000 deposit for a year.

I didn't think Barclays could reasonably be held responsible for any losses in respect of the changes in interest rate on C's borrowing

I invited both parties to submit any further comments or evidence.

Barclays said it accepted my provisional decision.

C didn't accept my provisional decision. While the company agreed with the proposed compensation for the excess energy payments, it maintained that it also suffered losses from changes in the loan interest rates. C's director said the parties had originally envisaged a wider restructuring of the company's lending in June 2022, and the bank's delays resulted in those discussions starting at the end of November 2022. Increases in interest rates over that period left the company substantially out of pocket.

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.

It's common ground that Barclays was responsible for the delays in arranging the renewed lending, and for wrongly registering the adverse credit file information.

I agree with our investigator that the excess costs from C's previous energy company were a consequence of the delays and therefore the bank should also reimburse C for them. But I also think the same argument applies to losses flowing from the deposit required by the new energy company. Had the adverse information not been applied to C's credit record, no deposit would have been necessary – so I think the cost to C of tying up the money for a year was a consequence of the bank's actions.

C agreed a variable rate loan with Barclays at about the same time that the new energy supplier took the deposit, so I think it would be fair and reasonable to say that the cost of tying up the deposit funds was equivalent to interest on the £8,000 at the same rate as the loan. As far as I can see, the loan rate was the Bank of England base rate plus a margin of 3.81%. By my calculation, that would have come to around £570 for one year starting in July 2022. I think the bank should pay this to C.

C has also been deprived of the use of the £638.91 paid in excess to the previous energy company. I think the loan rate of interest should also be applied here, and I calculate that it comes to approximately £1 per week, likely to be around £90 in total by the time of settlement. I therefore think the bank should pay £90 to C for this.

I've used absolute amounts, rather than setting out the redress in formulae for the bank to calculate, in order to make things simple and to save the parties time and any argument over relatively small sums.

C entered a new loan with Barclays in July 2022, and I'm satisfied that the agreement made clear that the interest rate was variable, so the company knew that payments would increase if the bank rate rose. I can understand why C's director wishes that interest rates hadn't risen since then, but Barclays can't be held responsible for those increases.

C's director says that a wider restructuring of C's lending in mid-2022 would have enabled the company to fix its loan interest rate, thereby avoiding the impact of increases since then. But in the discussions between the parties in the first half of 2022, I can't see that there was a commitment by Barclays that a fixed rate would be put in place in mid-2022. I'm not aware of any obligation on Barclays to offer a fixed rate consolidated loan at that time or later. I therefore don't think it would be reasonable to require the bank to compensate C as if there had been such an obligation. Moreover, I can't see that the delays in reaching the July 2022 agreement prevented C from seeking refinancing elsewhere after that time, had the company wished to fix its interest rate. So I don't think Barclays can reasonably be held responsible for any losses in respect of changes in the interest rate on C's borrowing.

For the above reasons, having considered C's arguments, I haven't departed from my provisional decision.

My final decision

My final decision is that I require Barclays Bank UK PLC to pay C the following:

- £638.91 for the excess energy payments to C's previous energy supplier.

- £90 for the cost of being deprived of the funds since those payments were made.
- £570 for the cost of being deprived of the deposit taken by the new energy supplier for a year.
- £200 compensation for inconvenience as already offered by the bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 26 March 2024.

Colin Brown
Ombudsman