

The complaint

B, a limited company, complains that Barclays Bank UK Plc, were unreasonable in calling in its business lending after its accounts were closed.

B is represented by its director Mr I.

What happened

B held bank accounts with Barclays – including a business current account and four business loans including a bounce back loan (BBL).

In May 2021 Barclays wrote to B to say they'd be closing the business current account with immediate effect. Several days later Barclays wrote to say the direct debit instructions for paying the loans had been cancelled as well. Mr I complained to Barclays about the closure of the account, but the bank responded to say they had acted correctly and in line with their terms and conditions.

Mr I spoke to Barclays in June 2021, but says he wasn't given any instructions on how to repay the loans. But later payments to the loans were missed. Mr I rang in November 2021 to see if he could set up a payment arrangement but was told the loans were being passed to recoveries. Mr I also found that Barclays had recorded defaults against B with the credit reference agencies.

In June 2023 Mr I complained to Barclays, saying he'd not had a response from the case manager in recoveries, and that he'd been assured there'd be no impact on B's credit file. The bank responded to say that they'd issued formal demands for B's lending in September 2021, which had explained that failure to repay would be recorded on B's credit file. They said the default we recorded before he'd spoken to the case manager in recoveries – but they accepted there may have been some miscommunication and delays in their responses to him They offered £75 in compensation.

Not satisfied with this Mr I referred B's complaint to our service. One of our investigators looked into what happened but didn't think Barclays needed to do anything further. Mr I disagreed, 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.

Account closure

The issues Mr I has complained about stem from Barclay's decision to close B's current account in May 2021, as this was the account that was set up to make payments towards the loans. I can see that Mr I complained about this at the time, and received a response dated 17 May 2021. This response said if he wanted our service to consider his complaint,

he would need to refer it to us within six months of that date. This is in line with the rules that govern our service.

But the first contact we had about B's complaint was in 2023 – so plainly this wasn't referred to us in time. Barclays have confirmed they don't consent to our service looking at a complaint about the account closure. I also can't see there were any exceptional circumstances that would allow me to set aside this time limit. So, while the closure of the business current account forms relevant background information, I won't be commenting on the fairness or reasonableness of it.

Calling in of the lending

Even though Barclays took the decision to close B's current account, this doesn't end B's obligation to repay the lending they had with the bank. The closure notice sent in May 2021 tells Mr I to get in contact with their regular banking contact to provide new payment instructions. And the letters sent to B shortly after will have alerted Mr I that the direct debits would not be paid.

The terms of each loan agreement, including the BBL, outline what would be considered an event of default – and in general they all say that failure to make regular repayments for the contractual amount would be considered an event of default. The terms go on to say in those circumstances Barclays may call in the full amount of the loan and report this information to the credit reference agencies. Mr I would have been expected to read and understand these terms before entering into the loan agreements.

So, I see that in June 2021 Mr I reasonably ought to have been aware that despite the current account being closed, B still needed to make payments towards the loans. I can also see from Barclays notes that he was told in June 2021 he could manually make repayments. I can see from the statements that payments were received in June 2021.

Due to the nature of the immediate account closure, B would have needed a short amount of time to set up new accounts. So, I can understand it would be reasonable for Barclays to give some leeway if there were some delays in repayments. But after June 2021 payments towards the loans were sporadic, or for less than the contractual amount. As the loans were in arrears, I don't see it as unreasonable that Barclays issued formal demands for repayment in September 2021. This is in line with the terms of the loan agreement.

These formal demands ask for full repayment. They also make it clear that Barclays will supply contractual information to the credit reference agencies. As no full repayment was forthcoming Barclays moved the account to recoveries.

I've considered the conversation Mr I had with Barclays in November 2021 in relation to a payment arrangement – but I also note that the amount discussed would not have cleared the outstanding arrears. So, I'm satisfied Barclays' decision to default the accounts was reasonable. It's also reasonable for them to record this accurately with the credit reference agencies. I'm not asking them to do anything further in relation to this.

Barclays have accepted that once the account was passed to recoveries the service B has received hasn't been up to standard – they've accepted there was a long delay in responding to Mr I's queries between June 2022 and August 2022. The bank has offered B £75 for this, and I'm satisfied this is a fair reflection of the disruption caused to B's business for this time.

My final decision

My final decision is that Barclays Bank UK Plc must pay B £75 if they have not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 24 July 2024.

Thom Bennett
Ombudsman