

The complaint

A company, which I will refer to as M, complains that Barclays Bank UK Plc rejected payments that it made towards its overdraft balance, unreasonably issued final demand letters, and referred M's debt to a debt collection company.

This complaint was initially brought to us by a Mr A, who was at the time a director of M but has since resigned his position. The current director of M is a Mr K.

What happened

Mr A told us:

- M had a business account with Barclays, with a £25,000 overdraft facility.
- Barclays told him that it had decided to withdraw the overdraft facility, so he decided to switch M's account to another bank.
- He arranged the switch, but the overdraft balance with Barclays remained outstanding. He made multiple attempts to clear the balance, including making several telephone calls and visiting a Barclays branch, but every time he was unsuccessful. All the money he tried to pay towards the overdraft was forwarded over to M's new account.
- Barclays transferred the debt to its Recoveries department and put a default marker against his company. It also opened a new account in M's name without his consent.
- To resolve the complaint, he would like Barclays to allow him to clear the overdraft balance, remove all default markers, and close the account it should not have opened.

(Mr A has also complained about Barclays' decision to stop providing an overdraft facility to M, as well about a default marker that he said Barclays applied to him personally. Those issues have been covered in other decisions, and so I make no comment about them here.)

Barclays told us:

- It wrote to M on 7 September 2022 to confirm the account switch, and to explain that any further payments made to M's Barclays account would be transferred to the account M had switched to. In the same letter, it told M how to repay its Barclays overdraft, providing a sort code and account number as well as the reference M needed to quote.
- A few payments were made to M's Barclays account after 7 September 2022, and they were transferred to M's new account with the other bank.

- M did not repay its overdraft, so Barclays issued formal demands and then transferred the matter to its Recoveries Team. It recorded a default against M, as it was entitled to do, but it did not record a default against M's director as an individual. It was further entitled to refer the matter to a third party for collection.
- Overall, it is satisfied that it has not done anything wrong.

One of our investigators looked at this complaint, but he didn't uphold it. He said he was satisfied that Barclays had told M how to make repayments towards its overdraft balance, and that the bank made no errors in sending final demand letters to M or in appointing a third party to collect the debt on its behalf.

Barclays accepted our investigator's findings, but M did not. Mr A said that he didn't receive Barclays' letter of 7 September 2022, and that he didn't know Barclays wanted him to make a payment in a particular way. He also asked us to listen to his calls with Barclays.

Mr A subsequently resigned as a director of M. His replacement, Mr K, has confirmed that he would like the Financial Ombudsman Service to continue to consider this matter.

My provisional decision

I issued a provisional decision on this complaint on 12 November 2024. I said:

"[M]y provisional conclusions are:

- The service Barclays' agents provided to Mr A over the phone was poor. The agents could and should have done more to explain how Mr A could repay M's overdraft.
- However, even if Barclays' agents had provided better service, M did not have enough money to repay the overdraft in full – so the transfer to Recoveries and the report of M's default would have happened anyway.
- I haven't seen evidence that Barclays opened a new account in M's name, either with or without Mr A's consent, so I cannot say that Barclays made an error in respect of account opening.

I give more details about my findings below.

I am satisfied that Barclays did write to M on 7 September 2022 to explain how M should pay the overdraft. Mr A told us he did not see that letter. Whilst I don't think Barclays did anything wrong in writing to M in the way that it did, it is not difficult to believe that a single letter might have gone astray and failed to reach its intended recipient.

However, regardless of whether Barclays sent further letters, I think its agents had ample opportunity to explain the position during Mr A's many telephone calls to the bank. Barclays has provided us with its records of those calls – many of which took a very long time, and were clearly frustrating for Mr A – and I have taken those records into account.

Most of the agents that Mr A spoke to don't seem to have had any idea that an account switch had taken place. Mr A repeatedly explained that he was trying to make payments to M's overdraft, but his payments were turning up in the company's

account with another bank. I note that Mr A was extremely patient with the agents; he was clear that his interest was in resolving the problem rather than complaining that the agents were not helping him.

Some of the bank's agents appear to have treated the problem as an anomaly or glitch, and one of them even suggested that the issue might be caused by something that the sending bank was doing. But the fact that the payments Mr A was sending to M's Barclays account were ending up in an account M held elsewhere was not in any way an anomaly – it is exactly what is supposed to happen when a bank account is switched to a new provider.

One of the agents Mr A spoke to on 29 September 2022 did realise that a switch had taken place. In hindsight, I think it would have been helpful if that agent (or one of the many other agents that Mr A had spoken to) had given Mr A the information contained in Barclays' 7 September 2022 letter. I think it would also have been helpful if Mr A had explicitly told all of the agents that M had switched its account to another bank. However, based on the information I have now I don't think much would have changed even if Mr A had been given more information during his calls to the bank.

I note that during his calls with the bank, Mr A made two things clear:

- He very much wanted to clear M's overdraft in full and at once, but M could not afford to do so.
- He thought M could afford to clear its overdraft by making several smaller payments over time, but he didn't want to agree a payment plan with Barclays (apparently because he didn't want any negative information to be recorded on the company's credit report).

Whilst I think Barclays should have told Mr A how to make payments to M's overdraft during his various phone calls, and indeed during any branch visits he made, I'm satisfied that at that point M could not afford to repay its overdraft in full. Barclays had already demanded full repayment of the overdraft (and I cannot consider whether Barclays made that demand fairly, for the reasons set out by my colleague in her decision on M's complaint on that issue). So, regardless of what Barclays' agents told Mr A (or failed to tell Mr A) during his phone calls to the bank, M would still not have been able to pay the full amount Barclays had demanded.

Mr A wanted to pay off the overdraft over time, but he did not want to agree a payment plan. Unfortunately those two goals were not compatible with each other. Given that M had not (and could not) pay the amount Barclays had demanded, I am satisfied that Barclays was entitled to transfer the matter to its Recoveries department and record a default against M.

I am aware that Mr A is also concerned that Barclays opened a new account for M without his permission, but I have seen no evidence that Barclays did that. I acknowledge that Barclays gave him account details in order to repay M's overdraft, but that does not mean that the account details the bank provided ever belonged to M. I will reconsider that point, or any other, in the light of further information from M or Barclays that reaches me by the date shown at the top of this provisional decision."

Barclays provided some additional comments in response to my provisional decision. It said:

“There is no evidence a new current account was opened for [M]. However, when an account is adopted by Recoveries, an internal recovery account is created and sits under the business record. [M] would not have access to this and is purely for internal purposes. No credit or onboarding checks are completed when this happens.”

M did not provide any further comments.

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 have come to the same conclusions as I did in my provisional decision, for the same reasons. I now confirm those provisional conclusions as final.

My final decision

My final decision is that I do not uphold this complaint against Barclays Bank UK Plc. I make no award.

Under the rules of the Financial Ombudsman Service, I’m required to ask M to accept or reject my decision before 30 December 2024.

Laura Colman
Ombudsman