

The complaint

Mr D complains on behalf of his business, C about Barclays Bank UK PLC's handling of C's overdraft, in particular its removal and unfulfilled promise to restore the overdraft. Mr D says Barclays has unfairly charged C interest on the overdraft since logging his complaint.

What happened

Mr D said that in October 2022 he was ill and couldn't work, and his income was limited, and C went into debt. Mr D said he wasn't contacted by Barclays to say his overdraft was suspended but was called by Barclays Business Support Team in February 2023. He said it later turned out that this member of staff worked for collections at Barclays.

Mr D said he was told he could clear the overdraft by paying £150 a month, and Barclays would restore it. He set up a direct debit, but when he made a payment he was told it hadn't been restored and he'd been misinformed and the only option was for the repayment of the overdraft. He said he then asked for the direct debit not to be actioned, but it was anyway. Mr D complained to Barclays in March 2023 but did not receive a response until July 2023. He said the amount of time he spent on this issue caused him a lot of stress.

In its first response, Barclays said C's overdraft was correctly removed. It said Mr D had been very difficult to contact and hadn't made it aware of his illness. Barclays said it had misinformed him about the restoration of C's overdraft, but this was corrected in a call two hours later and it offered £150 compensation. Mr D rejected this saying he had incurred huge amounts of interest. He said C's debt was then passed to a debt collector and the debt is now £3,600 on a £3,000 overdraft and his credit score has greatly reduced.

Mr D complained to Barclays further about its charges on C's account. Barclays responded that it would put a hold on charges again and he would be called back, but as with previously this did not happen. He said Barclays sent complaint correspondence to the wrong address.

Barclays then offered Mr D £143 interest refund for June and July 2023, and compensation of £250 for inconvenience, but wouldn't restore C's overdraft as the debt was still owing. Mr D had calls with Barclays in September and October 2023 and said it told him Companies House had struck C off, but he explained this was due to an accounting error which had been resolved and further complained about not being told this was an issue for Barclays.

Barclays said its Financial Assistance Team put a 30-day interest hold on C's account in February 2023, but at no other point was Mr D advised that interest would not be applied. Barclays said on many calls it strongly encouraged Mr D to contact its Financial Assistance Team, as his credit file would be impacted if he didn't take any action. It said Mr D didn't follow this up and no arrangement for repayment was reached, and defaults were applied.

In December 2023 Mr D said C's account disappeared, including overdraft and Barclays said the account was credited by recoveries. He found that his credit score dropped which led to his credit cards requesting repayment and added interest. He said Barclays acknowledged that correspondence had been sent to the wrong address. Barclays disagreed saying it sent letters to Mr D's business address and was unaware Mr D no longer has access to this.

Mr D referred his complaint to our service and said he wanted recovery action to end, and all interest written off, and more compensation. He also wants at least £1,000 of the overdraft

written off to cover his time, the emotional stress, and the extra interest he has incurred with other credit companies. Mr D then wants to close his Barclays account.

Our investigator didn't recommend the complaint be upheld. He said we can't consider how a bank handles complaints as it's not a regulated activity and we can only pay compensation to eligible complainants, in this case C. He said as a business, C can't suffer distress or inconvenience in the way people do and Barclays doesn't need to pay C compensation.

He said C's overdraft agreement from 2013 allows it to borrow up to £3,000 at 12.03% above bank base rate, and 29.5% above this amount and states it is intended for short-term borrowing and is repayable on demand. He said C hadn't traded since October 2022, so it's borrowing was increasing and its overdraft exceeded. He said Barclays tried unsuccessfully to call Mr D on 7, 8 and 9 December 2022 about this, and followed with a notice that the overdraft would be removed. He said this was reasonable action to take.

The investigator said Barclays put a 30-day interest hold on the account when on Mr D's first contact. And sent letters to the correct address in February and March 2023 to say the hold had started and ended, as shown on C's statements. He said Barclays credited C's account £220 for interest from October 2022 to February 2023, and £163.51 for interest up to 11 May 2023. And offered £143.21 for interest in June and July 2023, which meant Barclays had waived interest from when Mr D said he couldn't work to the date of its response to the complaint. He said a complaint doesn't stop interest and so Barclays could continue to charge after its final response to the complaint as explained in that letter and on calls.

As to Mr D's complaint that some information wasn't sent to his home address, the investigator said it mostly was, but some was sent to its business address. He said Mr D hadn't told Barclays he doesn't use that address anymore, and so it wasn't a data breach and this is still C's registered address.

The investigator said Barclays has offered Mr D £250 compensation, for the time he's spent dealing with things, but he couldn't say if this was fair or not. He'd listened to a number of calls but didn't think Barclays member of staff misrepresented his position and he had told Mr D the account was in collections and after 30 days exceeding the overdraft, it would be reported to credit reference agencies. He said Barclays' member of staff explained that the overdraft was to be taken away again as it shouldn't have been put back in place, and that this was his error. He said Mr D called and cancelled the repayment plan.

Mr D disagreed with the investigator and said Barclays removed the overdraft in error and asked if it would be restored as promised. Mr D accepted that we can't look at complaints about complaint handling and that we can't give him compensation, but said he wanted at least £1,000 compensation. C's complaint has been referred to me for a final decision.

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.

I hope that Mr D won't consider it a discourtesy that I haven't addressed in this decision every point that he has made, though I've looked them. I have concentrated on what I consider to be the heart of his complaint, the service from Barclays regarding C's business overdraft.

The investigator has correctly stated that we can't consider complaints about complaint handling as it's not a regulated activity. Having said this, I think Barclays should have dealt with Mr D's complaint more promptly, but I'm pleased it advised him within the eight-week timescale, (letter of 6 April 2023), that he could refer it to our service.

Removal of the overdraft

From the terms and conditions of the account I can see that Barclays was entitled to remove C's overdraft if it wasn't managed as required by the agreement. I've seen a copy of the information Barclays sent to Mr D which stated that C's overdraft would be removed with 30 days' notice if it remained unpaid. This was sent to Mr D's home address, which is what Mr D wanted, and is in line with the terms and conditions of C's account.

I think Barclays acted within the terms of the account and treated C consistently with other businesses in its debt situation by removing the overdraft. I don't think it acted unfairly.

Overdraft interest and fees

Mr D said he was told by Barclays several times that no fees or charges would be applied whilst the complaint was ongoing. He said it took Barclays 23 weeks to reply to his complaint and during that time he unfairly incurred fees. Barclays explained that the complaint hold concerned communications about the account, not interest.

The account agreement between C and Barclays says that if the overdraft is removed or reduced, interest will be charged until the balance is repaid in full. So, it's reasonable for Barclays to continue adding interest to the overdraft, even though C no longer has access to it. These are the costs applied by Barclays to C's account since the arrangement came into being in 2013 and the agreement C entered into set out the charges clearly. The way to avoid further interest for C is for Mr D to enter into a payment arrangement. Unfortunately Mr D hasn't entered into any agreement to repay what's owed despite Barclays requesting him to.

Mr D said if he's known C would incur charges he would either have come to an arrangement or paid it off, as he might have been able to juggle things around. This would seem to suggest that Mr D could have acted on C's overdraft but chose not to as he thought it was avoiding interest and charges. I think it would have been more to C's advantage for Mr D to respond to Barclays' entreaties to make an arrangement with its Financial Assistance Team.

I haven't found anything to suggest that Barclays told Mr D he wouldn't incur interest other than 30 day hold period from February 2023. In a call on 14 July 2023 Barclays told Mr D that interest would continue to debit the account and again in a call on 10 August 2023 and so I think he ought reasonably to have been aware that interest would continue to be applied to C's account. I can see that Barclays offered to refund interest added to the account for June and July 2023 and I think that is a fair offer. The investigator has correctly said that interest will continue to accrue until a repayment agreement is reached.

Barclays hasn't waived all the fees applied to C's account, as there's an account fee of around £20 per month which later dropped to around £10 per month from January 2023. As has been said, there's no obligation on Barclays to waive all fees and charges, just as it isn't obliged to suspend interest charges during a complaint. I agree with the investigator that the amount Barclays credited back to C's account and offered to waive is fair in the circumstances.

Mr D has told us he feels Barclays forced him towards insolvency. I disagree with this as I have seen that Barclays made many attempts to get Mr D to contact its Financial Assistance Team in order to agree a payment arrangement, but Mr D didn't respond. I think it's reasonable for a bank to be concerned that a customer business has been struck off at Companies House.

Restoration and removal of C's overdraft

It was unfortunate that Barclays mistakenly told Mr D C's overdraft would be restored, but this was corrected within two hours. This caused Mr D distress, but the overriding issue was the removal of the overdraft in the first place, which as I've said was fair.

Barclays could have handled the removal of C's overdraft better. The main issues being it took the overdraft away, and then gave it back temporarily when it shouldn't have done. I'm pleased that Barclays has apologised to Mr D for misinforming him about the restoration of C's overdraft and offered compensation for this error. I think this is fair and reasonable as the mistake was corrected two hours later and so couldn't have had significant impacts on C.

Mr D said Barclays had started the repayment plan even though it cancelled the overdraft. There's nothing within Barclays' records to show any active repayment plan. Barclays has a record of a call on 13 February 2023 where Mr D cancelled the plan and there's no payments shown on C's account statements.

Communications

Mr D said he was misled about the role of a member of Barclays staff. At the beginning of the call in question the member of staff introduces himself as Barclays Business Financial Assistance, which is a fair representation of the title Barclays assigns to his role.

Mr D has a business and correspondence address. He said Barclays keep writing to C's business address which he no longer has access to and didn't know he was on notice to lose the overdraft. I note that C is still registered to the same address so this would not be classed as a data breach. Barclays told Mr D he should contact it to update his address.

Service

The investigator has explained that as a private individual, Mr D isn't eligible under the rules to complain about Barclays as he has brought this complaint on behalf of his business. This means that any detriment has to be suffered by C in order for compensation to be considered. Mr D has told the investigator he understands this point, but also that he would like at least £1,000 compensation.

Because the rules cause us to treat C as the eligible complainant here we can't consider the personal distress and inconvenience Mr D has described, though I am sorry to see the problems he has faced. Mr D has estimated that he spent three working weeks dealing with these issues, largely on the phone to Barclays and wait times. I note that Barclays offered him personal compensation of £250 and I recommend that he accepts this if he hasn't already done so.

Unfortunately, there is likely to be an effect on a customer's credit file in these circumstances. This is because Mr D gave a personal guarantee to repay the debt when he arranged the overdraft. So, essentially this means that if C can't pay the debt, it falls to Mr D personally to cover it.

Conclusion

Having considered all of the issues raised by Mr D on C's behalf and bearing in mind what we can – and cannot – do, I have found that Barclays has taken the complaint very seriously and offered fair and reasonable redress to C.

I realise that Mr D will be very disappointed by this outcome though I hope he appreciates the reasons why it had to be this way. By rejecting this decision all options remain open to him, including legal action. However, the compensation is still available to him, and I recommend he contacts Barclays and accepts it and reaches an agreement about repayment of the debt.

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 Mr D on behalf of

C to accept or reject my decision before 19 August 2024.

Andrew Fraser
Ombudsman