

The complaint

A limited company, which I'll refer to as T, complains that Barclays Bank UK PLC set up a direct debit without authority to pay another company's bounce back loan ("BBL") repayments.

T is represented by its sole director, who is also the director of the other company, which I'll call P.

What happened

T's director told us:

- In January 2023, he decided to close P's current account with Barclays.
- P had a BBL so he asked the bank to set up a new direct debit from T's bank account to make the repayments on P's loan.
- Barclays said it wasn't possible to set up a direct debit from a different company. So it was agreed that he would make manual payments towards the BBL.
- From January to August 2023, manual payments were made from T's bank account.
- In August 2023, he realised that a direct debit had been put in place and so double repayments had been made for eight months totalling around £4,938.
- The overpayments had put a strain on the business' cashflow. He had had to borrow money and also postpone some badly needed capital investment, which had resulted in additional costs to the business.

Barclays apologised for their error, refunded the overpaid amount and offered £300 compensation.

Unhappy with this response, T asked the Financial Ombudsman to look into the matter.

One of our investigators looked into what had happened in relation to T and P. She thought Barclays' actions and compensation offer was enough to put things right.

T's director disagreed and asked for an ombudsman's decision. He made the following points, in summary:

- Barclays' relationship manager had told him that under no circumstances could the direct debit be transferred and the bank had never informed him of any change in this position.
- T was available to be contacted by phone, email, text, WhatsApp or post. It would have been easy for Barclays to notify him that they had changed their mind and set up the direct debit. And it was unprofessional of them not to have done so.

- T hadn't received monthly letters informing it of the exact repayment amount until the phone call about the direct debit. They had only begun after that call, so he had understood them as being sent to help him manually pay the correct amount.
- T had several large direct debits to Barclays each month, which is why the error wasn't picked up sooner.
- He thought the bank had acted deliberately to increase payments to the loan so it would be repaid sooner.
- Because of Barclays' error, a small business had suffered massively in trying to regrow after the pandemic.

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 considered all the information and evidence provided to this service by both T and Barclays, I won't be upholding this complaint. This is because, whilst there's no dispute that Barclays made a mistake, I'm not persuaded there have been any consequential losses. I'm satisfied that the bank has already done enough to put things right. I know this will be a disappointment to T's director so I will explain my reasons in more detail below.

First, I think it's evident that, having given T's director incorrect information on the phone call, Barclays should have rung him back to tell him they had made an error and that they could – and indeed had – set up the direct debit after all. Barclays made a 180 degree reversal of a position that was stated clearly and repeatedly in the phone call. I don't think the monthly instalment letters, or the letter notifying P of an amendment to a direct debit (which the director says was in any case not received) were a clear enough method of communicating this change.

I also have some sympathy with T's director's position that he did not give authority for the direct debit to be set up. I think it is debatable whether a call that started with T wanting to set up the direct debit, but ended on an understanding that this was impossible and that manual payments would be made, can be regarded as giving consent. However, my role is to decide on a fair resolution for this complaint, not to punish Barclays. And I don't think this point makes any difference to the fair outcome of this complaint. Both sides agree on the key facts here, which are that the bank made an error that led to double payments being made.

I haven't seen any evidence of deliberate wrongdoing by Barclays. I think it was more likely a simple error by an insufficiently trained member of staff. I'm also not convinced it would ever have been in Barclays' interest, as they will receive less interest on the BBL as a result.

I have thought about whether any compensatory interest is appropriate, to make up for T being deprived of the repayment funds over the period, as our investigator initially suggested. However, I note that T seems to have had a credit balance considerably greater than the sum overpaid for the period. Its bank account also doesn't pay interest on credit balances. I'm not persuaded that these funds would not have just remained in the account, were it not for Barclays' error. I'm also mindful that less interest will now be payable overall on the BBL and T will benefit from this if it continues to pay the instalments.

I know that T's director has supplied some evidence of losses that he says were the result of Barclays' error. However, given the credit balance on T's account, I don't think I can reasonably conclude that being deprived of the monthly loan repayment would have had a

material impact on T's cashflow.

There is another concept that I think is relevant here and that is loss mitigation. Our usual approach is that we would expect complainants to take reasonable steps to mitigate the impact of the bank's error. In this case, I think it is reasonable to expect a business to check its statements regularly, particularly if, as T has said, its cashflow was under some pressure. This includes checking transactions online. I realise that T has several monthly outgoings to Barclays, but I think that if T had checked sooner, the error would have picked up much earlier, while only a smaller sum had been overpaid. I'm afraid I therefore think T bears some responsibility for the error not being picked up sooner.

I have concluded that Barclays gave completely incorrect information quite adamantly on the phone to T's director, then reversed their position without doing enough to inform T. However, I think Barclays' apology, the refund of the sum overpaid and the £300 already paid into T's account as compensation are sufficient to put things right.

My final decision

For the reasons set out above, I don't require Barclays Bank UK PLC to take any further action to resolve this matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 26 September 2024.

Louise Bardell
Ombudsman