

The complaint

Miss I complains about a loan and an overdraft account provided to her by Barclays Bank UK PLC ("Barclays"). In summary, she doesn't feel the process she went through to get the loan and increase the overdraft limit was responsible. And she feels that Barclays unfairly defaulted her loan account.

What happened

Miss I took out a loan with Barclays in 2019 for £25,000 - she says that in hindsight, it wasn't clear to her at the time how high the interest on the loan was, or how much she'd be required to pay each month. Miss I also had an overdraft with Barclays - which she was able to increase the limit up to £6,800. Miss I says the loan was accepted automatically through the mobile app and her limit increases on her overdraft were accepted in the same way - she feels that this amounts to irresponsible lending practice.

Miss I got into difficulties repaying the loan - and Barclays sent her a letter to let her know that she was in three months arrears. Following this letter, on 3 May 2023, Miss I contacted Barclays and a resolve plan was put in place. The agreement was that Miss I should pay £230 towards the loan for three months and reduce the overdraft balance by £100 each month for three months. Following this arrangement being met it would then consider putting a resolve loan in place for her.

There was some confusion with the paperwork for the loan, and the final revised figures were produced. This required Miss I to pay £183.90 towards the loan and £100 towards the overdraft - both on three-month arrangements.

During this period, Miss I says she spent a lot of time on the phone to Barclays to try and resolve the matter. She says that this not only cost her money, but the time spent speaking to Barclays was intrusive on her working day - she says she spent many hours on the phone to Barclays.

Miss I says the arrangement wasn't made clear to her. She made the payments towards the loan as agreed, as Barclays had set up a standing order for the payments to be taken, but she wasn't aware she also had to reduce the overdraft balance by £100 each month separately. She assumed that the standing order set up would cover both payments. In June 2023, Miss I's overdraft balance exceeded the requirements of the arrangement, and so the plan failed. Because of this, Barclays defaulted the loan account and reported this to the credit reference agencies.

Miss I doesn't think it was fair of Barclays to have defaulted the loan. She says the reason it defaulted was because it hadn't been made clear to her how she was supposed to pay money to reduce the overdraft balance. And this is the reason the arrangement breached and subsequently the loan account defaulted.

Barclays issued a final response letter to Miss I on 30 November 2023. In summary, it felt that the terms of the resolve plan had been clearly explained to her and that no error had occurred in the account defaulting. So, it didn't uphold this part of her complaint.

An Investigator considered what both parties had said but they didn't think the complaint should be upheld. They explained that they felt Barclays had provided Miss I with enough information about the loan back in 2019 when she took it out. They also explained that they felt Miss I hadn't maintained the agreed repayment plan and so they didn't think Barclays had acted unfairly by defaulting the account.

Miss I didn't agree with the Investigators view. In summary, she made the below points:

- Important information wasn't communicated to her by Barclays which led to confusion.
- She didn't receive some of the post sent to her by Barclays.
- Barclays could have avoided defaulting the loan when it didn't reinstate the resolve loan.
- She experienced long telephone waiting times, and very long phone calls.
- It wasn't clear how she was supposed to pay £100 towards the overdraft.

Because an agreement couldn't be reached, the complaint has been passed to me to decide on the matter.

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 of the information available to me, I won't be upholding Miss I's complaint.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my provisional decision. I say this as I'm aware I've summarised Miss I's complaint in considerably less detail than she has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

Approval of the loan

I can see Barclays wrote to Miss I on 19 April 2019 once she had taken out the loan. In this letter, it explained to her the amount of the loan she'd been provided with which was £25,000. It explained the monthly repayments were £687.73. It explained the total cost of the loan would be £41,263.80, and that the total charge for credit was £16,263.80. It also stated the APR would be 23.9%. While I can't be certain what information Miss I was provided with at the time she took out the loan through the mobile app, I'm satisfied that the information she was sent after was sufficient to fully explain the cost of the loan. I can also see that there was a section in the letter titled "If you change your mind", which explained that Miss I had 14 days to let it know if she no longer wanted the loan. So, I think Barclays have also provided Miss I with an option to cancel the loan if she no longer wanted it, having had time to consider the cost of the lending. I also find it very likely that Miss I would have been told what rate of interest the loan would be charged at prior to her agreeing to take out the loan online. Based on all of this, I don't think Barclays have acted unreasonably or unfairly here.

Increase of the overdraft limit

Miss I also finds it irresponsible of Barclays to have allowed her to increase the limit of her overdraft account using the mobile app. She hasn't been specific about why she thinks this, however, it is fairly normal process across banks that a request for a higher limit can be made using the banking app, I don't find this to be unreasonable. And in this case, I haven't seen any specific evidence to suggest it was unfair of Barclays to grant Miss I's request online – as opposed to any other means of it agreeing the increase.

Resolve plan and default

On 1 May 2023, Barclays issued a default letter to Miss I because her loan account had fallen into arrears. At this time, the arrears amounted to £3,901.44.

On 3 May 2023, Miss I spoke with Barclays and a resolve plan was agreed. This required Miss I to make repayments to the loan of £230 per month for three months, and to reduce the overdraft amount by £100 a month, again for three months. If the plan was successful, Barclays say it would have offered Miss I a resolve loan which would have helped her to clear the loan balance, arrears and overdraft. A letter confirming this was sent to Miss I in the post.

On 11 May 2023, Barclays contacted Miss I to let her know that there had been a mistake in the letter it sent to her – one of the figures in it was incorrect. It sent out new paperwork to confirm the correct figures.

On 16 May 2023, Barclays contacted Miss I again because it had noticed that it hadn't taken some of the fees into account when deciding how much should be paid towards the loan and overdraft. The call notes suggest that a new plan was agreed whereby Miss I pay £183.90 towards the loan for three months and reduce the overdraft amount by £100 for three months. I can see a letter was sent to Miss I in relation to the overdraft on the 16 May 2023. This explained that Miss I would need to reduce the balance by £100 each month – with the reductions having needed to have been made by the 26th of each month (for May 2023, June 2023 and July 2023). A letter was sent separately relating to the loan account on 17 May 2023, this explained she would need to make three monthly repayments of £183.90, starting on 26 May 2023.

Miss I says she didn't know how she was supposed to pay £100 to the overdraft, which is why the plan ultimately failed when her overdraft limit exceeded the £6,800 limit agreed under the plan. The letter Barclays sent Miss I on 16 May 2023, explains that she was required to reduce the overdraft balance by £100 each month (the exact figures were included in the letter) for three months. So, Miss I was required to ensure that her balance on 26th of each month was under the amount specified in the letter. To do this, she would need to check the levels of money coming in and out of the account and ensure that it was under the agreed amount by the date on the letter.

I have also listened to the call from 3 May 2023 when the plan was initially agreed. In my view, the representative Miss I spoke to explained in detail what she was required to do to reduce the overdraft balance. The representative advised Miss I to make a note of what he said, and he confirmed that the overdraft balance would need to reduce each month and he recommended that Miss I keep an eye on her balance to ensure it was decreasing. The representative also set up a direct debit to pay the loan balance. The representative let Miss I know that if the terms of the plan weren't met, the plan would fail. In my view, the representative was clear about what Miss I was required to do to keep to the plan, and during the call Miss I appeared to understand what was required of her. Based on all of this, I can't fairly conclude that it hadn't been made clear to Miss I what she needed to do to maintain the plan. And I haven't seen any evidence of Barclays not communicating important

information to her. While I note that following this initial call, the monthly amount she needed to pay towards the loan amount changed, this didn't affect what she needed to pay to reduce overdraft balance and a letter was sent to Miss I confirming both the final loan and overdraft requirements.

I have noted Miss I's comments in that she hadn't received some of the correspondence from Barclays. It isn't clear what correspondence she didn't receive – I can see that she made a few calls to Barclays following on from some of the letters she got. In any event, from what I've seen, the letters were correctly addressed to Miss I, so Barclays did what it needed to do in sending the letters explaining the amounts that needed to be either paid, or the balance reduced by. This was also explained to her in phone calls. In addition to this, Barclays said the letters that were sent to Miss I in the post, were also uploaded so she could view these when logging in online or into her mobile banking app. So overall, I'm satisfied that Barclays communicated the plan to Miss I.

I've next considered whether it was fair of Barclays to default Miss I's loan account, and I think it was. The loan account was in three months worth of arrears in May 2023. A plan was set up to reduce the overall balances on her accounts, but because the balance of the overdraft wasn't reduced, the plan failed. Because of this, the plan was cancelled, and the loan account remained in arrears.

The ICO provides guidance on when an account should default – this is usually when it is between three to six months in arrears. In this case, Miss I's loan account was at least three months in arrears when it wrote to her in May 2023, and by July 2023 when the next default letter was sent to her, the arrears totalled £4,909.10. The terms of the plan weren't met, arrears weren't repaid or a new arrangement made. Because of this, I don't think it was unfair or unreasonable of Barclays to default the account when it did.

I have noted Miss I has said Barclays should have done more to prevent the account from defaulting. And it should have allowed her to reinstate the plan. It isn't for Barclays to take action to prevent a default – it is required to support customers in difficult financial positions, which I think it did when it set up the resolve plan. When Miss I spoke to Barclays after the plan had been cancelled, the representative offered to set up a plan for Miss I again, but she didn't want to do this at the time because of the length of time she had spent on the phone to Barclays already. The representative explained that because the terms of the plan hadn't been met, a resolve loan couldn't be granted and that a new plan would need to be set up. The representative confirmed that if a new plan wasn't set up, then a default notice would be sent which would give Miss I time to set up a new plan. The default notice was sent to Miss I on 6 July 2023 which required her to take action before 2 August 2023, which didn't happen. I'm satisfied that Miss I was provided with enough information about what would happen with her account following the failed plan. I don't think Barclays has done anything wrong here.

I note that Miss I says that throughout all of this, she received poor service from Barclays, in that she experienced long wait times to speak to someone, the time spent speaking to representatives was too long and some of the calls dropped. I have noted that Barclays has already agreed to pay Miss I £40 distress and inconvenience for the time spent on the phone. And it agreed to refund £100 of call costs. In relation to the cost of the calls themselves, I think this is a fair way to reimburse Miss I for what she paid. It is clear that Barclays did make some mistakes when setting up the plan – this resulted in two additional calls on 11 and 16 May. However, I think the £40 Barclays has already paid Miss I is a fair way to compensate her for the inconvenience of this. In relation to the length of the calls themselves, while some of these were very long, I don't think this was as a result of Barclays having done something wrong.

Overall, I'm satisfied that Barclays has acted in fairly and reasonably in relation to the loan and overdraft accounts. And I'm satisfied that it has fairly compensated Miss I for her call costs and customer service issues she experienced. Because of this, I won't be ordering Barclays to do anything more for Miss I.

My final decision

For the reasons set out above, I don't uphold Miss I's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 30 October 2024.

Sophie Wilkinson
Ombudsman