

## The complaint

Mrs R complains about her secured business loan with Barclays Bank UK PLC. She says the loan should have been in the name of a limited company rather than in her name as a sole trader. She says Barclays didn't carry out affordability tests or tell her the mortgage was on a floating rate. Mrs R asks that the loan is put into the name of her limited company at a decent interest rate.

## What happened

Mrs R contacted Barclays in April 2022. Land adjoining her business premises had unexpectedly been offered for sale. Barclays' notes say Mrs R told it she'd wanted to buy this land for some time and didn't want to miss the opportunity. Barclays notes say it was told that Mrs R had other ways to fund the purchase – such as her husband selling or re-mortgaging one of his buy to let properties – but this wouldn't be in place in time.

Mrs R wanted to buy the land to expand her facilities and business. The loan was to have a two-year interest only period to allow time for the expanded facilities to be up and running.

Barclays offered a secured loan which completed in January 2023. Mrs R has a number of complaints about the loan:

- Her accountant said it would have been tax efficient if the mortgage had been taken out by her limited company with her as guarantor, rather than in her own name. Mrs R says this is what she thought was happening. Barclays had asked for her business accounts. Mrs R says she relies on a state pension and doesn't receive a salary from her company. She did receive a one-off dividend the previous year and thinks Barclays wrongly used this for its affordability tests.
- There was a two-year period of interest only payments before she had to make capital repayments. She'd understood payments would be about £300 per month for the first two years. However, they were over £1,000 which isn't affordable.
- Mrs R says she wasn't told the loan had a floating rate. She says this is risky and not something she'd have agreed to. She says Barclays didn't explain the risks or carry out stress tests before lending. She says the Barclays adviser spoke to her and her husband separately, which it shouldn't have done and which caused confusion. Mrs R says Barclays knows she can't afford the payments and wants to take her land. She said it had previously declined an application for an unsecured bridge loan.

Our investigator said, in summary, the terms of the loan were set out clearly in the agreement that Mrs R signed. The investigator said Barclays had carried out affordability tests and there was nothing to suggest this wasn't done fairly.

Mrs R says her husband is very ill. She says Barclays only stress tested the loan against a 1% interest rate increase, and she can't afford the loan repayments. Mrs R said Barclays let her down with the valuation at £50,000 when she paid £190,000 for the land. Mrs R told Barclays she's stressed and anxious due to the situation, the financial struggle to repay the

loan and the possibility of losing her business.

### **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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

Barclays agreed to offer a secured loan to Mrs R for her land purchase in June 2022. Barclays sent an email to Mrs R in early June 2022 re-confirming the key terms after Mrs R agreed to pay a higher price for the land she was buying. The email said the interest rate was 2.69/base. It said the limited company would provide a guarantee.

Barclays' notes say the purchase was put on hold in mid-2022 as Mrs R and her husband hadn't been able to raise funds on their residential property to complete works on a new build property and for work on the land Mrs R wanted to buy. Matters then proceeded. A valuation was carried out on behalf of Barclays.

Barclays provided a copy of the agreement it sent to Mrs R in October 2022 headed "Term Loan (Fixed Rate or Floating Rate (Bank of England Rate)) Key Terms". This set out the key terms of the loan, including the name of the borrower (Mrs R) and that it was on a floating rate basis. The agreement said the loan would be repaid in monthly instalments of £1,640 (subject to adjustment) starting after a 24-month capital repayment holiday. The agreement said interest would be due during the capital repayment holiday. Mrs R signed the agreement in mid-October 2022.

Mrs R says she thought the limited company was the borrower. Barclays says Mrs R wanted the loan to be in her name. Unfortunately, there's no recording of these discussions, some of which it seems took place in person. The loan agreement signed by Mrs R in October 2022 clearly says she's the borrower and the limited company is the guarantor. This is consistent with the email with the key terms sent in June 2022. I can't fairly find that Barclays misled Mrs R about this.

During the 24-month capital repayment holiday payments were of interest only. Mrs R says she expected monthly interest payments to be £300 or £360. I haven't seen any evidence that Barclays told Mrs R this and I think it's unlikely that it did. Even at the Bank of England base rate in May 2022 this wouldn't have been enough to cover the monthly interest.

I think the terms of the loan were clearly set out in the agreement that Mrs R signed. I don't agree that terms – such as the name of the borrower or the floating interest rate – were somehow hidden in small print.

Mrs R says the loan funds were released one month before interest rates increased. The loan completed in January 2023. There were increases in the Bank of England base rate after this. However the Bank of England base rate had increased several times in 2022. So I think Mrs R was aware that rates could increase before the loan completed.

Barclays carried out an affordability assessment and stress test before agreeing to lend. I don't think the assumptions it used for this were unreasonable, given the information it had recorded about Mrs R's business and financial situation. I didn't see any evidence that its affordability assessment relied on the one-off dividend that Mrs R had received the previous year.

Barclays instructed valuations of the land offered as security, to help it make a lending decision. Barclays' notes say overall the valuations were £5,000 lower than the loan amount. Barclays agreed to proceed on this basis. It was for Barclays to make a commercial decision as to whether it was satisfied with the security offered. It was for Mrs R to decide what she was prepared to pay for the land she wanted to buy.

Mrs R says there will be tax consequences due to the land being in her name rather than owned by the limited company. I can't fairly find that Barclays should have provided tax advice to Mrs R. That's not its role. Mrs R contacted Barclays about buying the land in April 2022. The loan completed in January 2023. Mrs R could have taken advice from her accountant or tax adviser during this time. I don't think it's reasonable to say that Barclays was responsible for her not doing so.

Mrs R ran her business – the business that she intended to expand into the new land – through the limited company. The limited company provided a guarantee of the loan. I think it was reasonable for Barclays to ask for information about the limited company, such as its company accounts, to help with its lending decision. I don't think this meant the limited company would be the borrower.

Mrs R called Barclays in February 2022 as the first direct debit payment didn't go through. Barclays provided a transcript of the call. Mrs R was concerned that the payment should come from the limited company's bank account. She said she'd provided security as she owned the land. But she had no use for the land. She said she'd made a director's loan to the business. She said transferring money from the business to her own account to make loan repayments would have tax implications. This conversation suggests to me that Mrs R was aware that the loan was in her own name.

Mrs R told Barclays in March 2023 – two months after the loan completed – that she intended to sell half of the land she'd bought for £100,000 to reduce her borrowing. She still intended to expand her business into the part she was keeping. It appears that Mrs R didn't go ahead with this. Mrs R contacted Barclays again in May 2023 about borrowing £180,000 to repay a bridge loan of £90,000 and other finance on her business. She'd intended to repay this by taking out a mortgage on a property they'd built but had been unable to mortgage the property. Barclays said it would need up to date business accounts to consider this. These conversations suggest to me that Mrs R's circumstances or plans might have changed since she applied for the loan.

Mrs R says she can't repay the loan by selling part of the land as this was only valued at £50,000. She says there isn't enough equity in her husband's buy to let properties to raise the necessary funds through a sale or remortgage. Mrs R hasn't said if she's looked into refinancing with a new loan in the name of the limited company. Barclays said it would consider this, but can't do so while the account is in arrears.

It seems Mrs R's current financial position isn't as described to Barclays in 2022 when it offered the loan. Mrs R's husband is unwell and this will have added to her stress. I can't fairly say that it was unfair or unreasonable for Barclays to make a lending decision based on the information it had in 2022 about Mrs R's business and financial circumstances. It follows that I don't think it's fair and reasonable to require Barclays to change the terms of the loan or take further steps in relation to this complaint.

Mrs R's financial position is complicated. She could consider taking independent financial advice about her options.

**My final decision**

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 29 November 2024.

Ruth Stevenson  
**Ombudsman**