

The complaint

A limited company, which I'll refer to as 'X', is unhappy that Barclays Bank UK PLC defaulted its Bounce Back Loan ("BBL") and used money present in its business current account to offset its outstanding BBL debt.

X's complaint is brought to this service by its director, whom I'll refer to as 'Mr E'.

What happened

X held a BBL with Barclays. On 18 March 2023, Mr E called Barclays because he'd found that he was unable to access X's accounts on Barclays online banking platform. Barclays explained to Mr E that they had received a notice from Companies House that X was scheduled to be dissolved, which Barclays had objected to, because X still had an outstanding BBL balance that was owed to Barclays.

Mr E explained to Barclays that the dissolution notice had been put in place because he hadn't been able to provide X's business current account statements to X's accountant, in part because of poor health, meaning that a tax return had been filed late. Barclays arranged for the required account statements to be posted to Mr E and explained that X's accounts would remain restricted until Barclays received confirmation that the notice to dissolve X had been rescinded.

Mr E worked to rescind the notice to strike off X. But when this was done, in late June 2023, Mr E found that Barclays had defaulted X's BBL and had applied money held by X in its Barclays business current account to reduce the outstanding BBL debt. Mr E wasn't happy about this, so he raised a complaint on X's behalf.

Barclays looked at X's complaint. But they didn't feel they'd done anything wrong and noted that their actions were in accordance with their terms and conditions regarding such situations. Mr E wasn't satisfied with Barclays response, so he referred X's complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that Barclays had acted unfairly in how they'd managed the situation and noted that the proposal to dissolve X had still been in place when Barclays moved to default X's BBL – which they did over three months after Barclays spoke with Mr E in March 2023. Mr E didn't agree with our investigator and continued to feel that Barclays had acted unfairly. So, the matter was escalated to an ombudsman 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.

Barclays' Business Customer Agreement, which a director of X accepted on X's behalf when X entered into a business relationship with Barclays, includes the following term:

“When we can close an account or end a service.

...

We may ... end this agreement (or stop providing services or close your accounts) immediately if we reasonably believe that you are – or someone connected to you is, or is likely to be – unable to pay debts when they become due. We can do this if:

- You or a third party have taken any steps to wind up your business or put it into administration or any other insolvency process.”*

In this instance, I'm satisfied that this clause was met, and that Barclays had reasonable cause to restrict X's accounts because they had received a notice from Companies House that X was scheduled to be dissolved.

If X had been dissolved while it still had an outstanding balance on its BBL, then it would have been unlikely that Barclays would have been able to recover the BBL balance that X owed to it. And because of this, it seems reasonable to me that Barclays would lodge an objection to prevent the dissolution of X. And it also seems reasonable to me that Barclays would restrict X's accounts so that X's funds – which might be used to reduce the outstanding BBL balance owed by X – could not be withdrawn.

When Barclays received notice from Companies House the X was scheduled to be dissolved, they sent a letter to Mr E, dated 2 March 23, which confirmed that Barclays had been notified of X's intended dissolution and which asked Mr E to contact Barclays. And I'm satisfied that this letter was sent to X's correct address – the address which Mr E has provided to this service as being his contactable address.

When no contact from Mr E was received, Barclays sent a second letter to Mr E asking him to contact them. This second letter dated 17 March 2023, and Mr E called Barclays the following day, 18 March 2023.

I've listened to this call. During the call, Mr E explains that the notice of dissolution for X had happened because he hadn't been able to provide X's business current account statements to X's accountant, meaning that a tax return that was due hadn't yet been filed. In response, Barclays' agent arranged for the required statements to be posted to Mr E and confirmed that X's accounts would remain restricted until Barclays received confirmation from Companies House that the proposal to dissolve X had been rescinded.

However, following this call, Barclays didn't receive any update from Mr E or from Companies House, and the proposal to dissolve X remained in place, albeit suspended by Barclays objection to it.

On 26 April 2023, over five weeks after the 18 March 2023 phone call, and having not had any update from Companies House or Mr E, Barclays issued a formal demand against X, again to the correct address. This formal demand advised Mr E that Barclays now required X to repay its full outstanding BBL liability, which at that time stood at close to £36,000.

Following the issuance of the formal demand, Barclays still didn't receive any update or contact from Mr E, and they also didn't receive any confirmation from Companies House that the proposal to dissolve X had been rescinded. Because of this, Barclays moved to default X's BBL on 26 June 23 – two months after the formal demand had been issued, and over three months after Mr E had last spoken with Barclays on 18 March 2023.

On the same day, having defaulted X's BBL, Barclays used the approximately £25,000 that

was present in X's business current account to reduce the outstanding balance of the BBL. And I note that Barclay's right to take this action is also stipulated in Barclays Business Customer Agreement, as follows:

"If you haven't repaid money you owe us when you should have done, we can use money in any of your accounts with us ... to pay off some or all of the debt... This is called a 'right of set off'."

In consideration of all the above, when I ask myself whether Barclays have acted in accordance with their terms and conditions and as they reasonably should have acted here, I can only answer 'yes'.

I say this is because I'm satisfied that Barclays were within their rights to object to the dissolution of X because of X's outstanding BBL balance, and that Barclays were also within their rights to restrict X's accounts when they received the notice from Companies House that X was scheduled to be dissolved.

Furthermore, I'm satisfied that Barclays clearly communicated with Mr E the reasons why X's accounts had been restricted, and that they gave Mr E a fair and reasonable amount of time to resolve the situation and have the proposal of dissolution that had been lodged with Companies House for X rescinded.

Finally, I'm also satisfied that when Mr E didn't resolve the situation within the three and a half months given to him by Barclays to do so, that Barclays were acting both fairly and within their rights when they chose to default X's BBL and use the money present in X's business current account to reduce the outstanding BBL debt.

Mr E did arrange for the dissolution proposal at Companies House to be rescinded shortly after Barclays had defaulted X's BBL. But the fact that Mr E took this action after the defaulting of X's BBL means that the action took place too late to prevent the defaulting of X's BBL.

Given that Mr E had over three months to take that action, as explained above, I don't feel that Barclays should fairly or reasonably be instructed to rescind the defaulting of X's BBL as Mr E would like. And I take this position even in consideration of any health issues that Mr E might have been experiencing during that time, which at the very least I would have expected Mr E to have updated Barclays about.

All of which means that I don't feel that Barclays have acted unfairly towards X as Mr E contends here. And it follows from this that I won't be upholding this complaint or instructing Barclays to take any further or alternative action.

I realise this won't be the outcome that Mr E was wanting. But I hope that he'll understand, given all that I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 20 November 2024.

Paul Cooper
Ombudsman