

The complaint

Mr C, a sole trader, complains that Barclays Bank UK PLC is wrongly and unfairly holding him personally liable for a bounce back loan (“BBL”) taken out for his limited company, which I’ll refer to as C.

What happened

Mr C opened a business current account with Barclays in 2018 as a sole trader.

In May 2020, Mr C completed an online application for a £3,000 BBL. On the application, he gave a trading name for the business, which was the same as the trading name for the sole trader account. He also provided the account details of that account.

In October 2020, C was incorporated.

Barclays accepted the application as being from its existing sole trader customer. The proceeds of the loan were then paid into the sole trader account.

C’s trading never got going after the pandemic and Mr C dissolved the company in 2024.

In 2023, the BBL started getting into arrears and Barclays issued a default notice to Mr C in June 2024.

Mr C complained, saying that the BBL had never been in his personal name. Barclays did not uphold this complaint and pointed out that C did not exist at the time the BBL was taken out.

Mr C asked the Financial Ombudsman to investigate. He said Barclays were ignoring the fact that he had been operating as a limited company.

One of our investigators looked into what had happened but did not recommend upholding the complaint, as she didn’t think the bank had made an error.

Mr C disagreed and asked for an ombudsman to look into 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 done so, I’m sorry to disappoint Mr C, but I agree with our investigator that Barclays hasn’t made an error, as they had no way of knowing that the application was intended to be from C, which did not even exist at the time of the BBL application. I’ll explain my reasoning in more detail below.

First, I have referred to Mr C as a sole trader, because it is only as an enterprise that he is

eligible to refer this complaint to the Financial Ombudsman. There is some doubt about this, because Mr C originally told us that he had only ever operated as a limited company and had never been a sole trader. Since C no longer exists, it cannot be an eligible complainant – and in any case, there is no detriment to C. Mr C is also not eligible to refer this complaint as a consumer. However, more recently, Mr C has said that, before C's incorporation, he was trading as a sole trader, under the trading name given on the BBL application and on the current account. So I am proceeding on the basis that he is eligible to complain as a sole trader.

In order to uphold this complaint, I would need to be satisfied that Mr C had applied for the BBL in the name of C and that Barclays ought reasonably to have realised that. Or that Barclays ought to have transferred the loan from Mr C's name to C's at some later point.

The evidence I've seen does not support the argument that Mr C applied for the loan in the name of C. There is no mention of C, such as a "limited" or a registered number, on the application form – and indeed, there couldn't be, because C did not exist at that point. And Mr C does not dispute that he never told Barclays about the transfer of trading from sole trader to C. I cannot fairly hold Barclays responsible for not realising something that they were never told and had no way of knowing.

I know Mr C has argued that checks by the bank could have unearthed the true situation. But our investigator was correct in saying that BBLs were self-attested by the applicant and, in the interests of delivering them at pace, banks were simply not required to carry out the usual checks before lending. Indeed, they were explicitly prevented from doing anything that might slow loans down. In any case, it seems to me that all the information held by Barclays indicated that the application came from their existing sole trader customer, who had banked with them since 2018 and they had no reason to believe wasn't eligible.

Mr C says that the business legally transitioned from a sole trader to a limited company in October 2020 and the BBL should reflect this. It's true that C came into existence in October 2020. But the creation of a new business does not mean that an old one automatically ceases to exist. Sole traders and limited companies can and do operate side-by-side. For this reason, I do not agree that there is a legal transition here that must be recognised.

In February 2021, the bank carried out a Know Your Customer exercise. Mr C apologises for any inaccurate information given at that time. He says there was a confusing and half-inaudible phone call. But the bank has shown us that Mr C also filled out a form, on which almost the first question was:

“Are you a Sole Trader business? A Sole Trader is a business with whom Barclays has a direct relationship, which is owned and controlled by a single individual, and in which there is no legal distinction between the owner and the business”.

This seems to me to be the point at which the change in trading entity should reasonably have come to light. I also consider that the bank's definition of a sole trader is reasonably clear. Mr C ticked the “yes” box.

In any case, because C didn't exist or trade as at March 2020, it would never have been eligible for a BBL. This means that, even if the mismatch had come to light later on while C still existed, Barclays couldn't have transferred the debt to C's name because C wasn't eligible. There's also no evidence that C ever traded, with only dormant accounts ever filed at Companies House.

I also think it's relevant that the BBL debt was never recorded in C's balance sheet. This is

nothing to do with the bank. If Mr C had genuinely believed that the BBL was in C's name, then I would expect him to have communicated as much to his accountant so that it was reflected accurately in C's accounts.

In summary, the BBL in question was never in C's name and C could never have been eligible for a BBL. I don't think Barclays had any information that should have led them to question Mr C's intentions. Given these circumstances, I don't think the bank has done anything wrong in holding Mr C personally liable for the BBL.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 February 2026.

Louise Bardell
Ombudsman