DRN-5499557

The complaint

A limited company, which I'll call B, complains that the bank unfairly put its bounce back loan ("BBL") into default and then closed its current account. B was left unable to pay priority bills or obtain the financial information needed for B's accountant to compile its accounts.

B also disputes the debt on its BBL, which it believes is wrong due to an earlier bank error.

B is represented by its owner and director, who I'll call Mr S.

What happened

In 2020, B took out a £50,000 BBL.

From 2021 onwards, B failed to make some of its BBL repayments. Between 2021 and 2024, four repayment plans were agreed, but none were completed successfully.

In May 2024, Barclays wrote to Mr S to inform him they had made a mistake with B's BBL: they had inadvertently given B a repayment holiday it hadn't applied for. The bank said that they had paid £624 into the BBL to adjust for the extra interest incurred as a result of this.

In June 2024, the bank declared that B's BBL was in default and formally demanded repayment in full. Mr S on behalf of B complained. The bank didn't uphold the complaint about the default, but did accept that their agent should have informed Mr S that B's accounts would be transferred to its Debt Recovery Unit. Barclays offered £50 in compensation for this error.

After the complaint, the bank agreed a further repayment plan for B, but B did not pay in enough to meet it. The bank issued a further formal demand. They then transferred B's BBL to their recoveries department and closed B's current account.

Mr S referred his complaint to the Financial Ombudsman and one of our investigators looked into what had happened, but didn't recommend upholding the complaint.

Mr S disagreed and asked for an ombudsman's decision. He argued that he wouldn't have missed any repayments but for the bank's error.

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 S, but I've reached the same conclusions as our investigator. I don't think the bank has made any errors beyond those acknowledged, and I consider they have correctly put right the ones they have made (principally the BBL repayment holiday mistake).

Having examined the history of B’s BBL, it’s clear that Barclays showed B considerable forbearance in their handling of the debt. I can see more than seven instances of arrears and that the bank offered several chances over several years to clear those arrears via repayment plans. I’ve seen evidence that none of those plans were adhered to. So I don’t consider the bank did anything wrong when they issued their second formal demand for repayment in full and then transferred the loan to their recoveries department.

As far as the extra repayment holiday is concerned, I think Mr S may have misunderstood what happened. He seems to think that he has lost out from this error, whereas if anything, in my view, he has benefited.

The additional capital repayment holiday meant that B’s current account cashflow benefited greatly, because there wasn’t a capital repayment taken from it each month. So the error meant there were more funds in B’s account. And the bank has not included those six months of repayments when they have calculated the amount of arrears. I can also see from B’s statements that during the six month period in question, B didn’t have enough money even to cover the interest on the BBL, which was still payable. My conclusion is that, if the bank hadn’t inadvertently given B an extra repayment holiday, the BBL would have been more deeply in arrears much sooner.

Mr S has said repeatedly that he would like B’s accounts “rerun” because of the bank’s error. But as I’ve said, B’s current account benefited from the error. A rerun of that account would simply create more arrears, or an unauthorised overdraft, which would incur considerably higher interest than the BBL. And I’m satisfied that the bank has rerun the BBL to calculate the impact of having a higher balance for longer over the life of the loan. The £624, which I can see was credited to the BBL on 17 July 2024, was the correction for this error.

Mr S’s other main complaint point is the closure of his current account, which he regards as a separate product that should not have been caught up with the BBL position. I realise this left him in a difficult position, but I’m afraid this was B’s account and it is a standard bank practice – and one that I don’t consider to be unfair – to close or freeze all accounts when recoveries action is warranted. Fundamentally, banks are entitled to decide they no longer wish to offer businesses current account services. In this case, Barclays had warned Mr S that they might take this action without further notice in each of their final demand letters.

I know Mr S also argues that the bank has unreasonably refused to provide his account data in the CSV format that his accountant would like. This format was previously available via internet banking while B’s account was open. However, I am satisfied the bank has no obligation to provide it once the account is closed (which, as I’ve said, the bank was entitled to do). I understand that Barclays has sent B the information needed in the form of bank statements, which is all I consider they are required to do.

Mr S has made a number of other points, including some observations about rules in the FCA’s Handbook and about default notices under the Consumer Credit Act, which do not apply here as BBLS are not regulated debt. I would like to assure Mr S that I have read and considered all his arguments carefully, but they have not changed my mind.

My final decision

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask B to accept or reject my decision before 18 September 2025.
Louise Bardell
Ombudsman