

The complaint

Mr and Mrs H are partners in a partnership which I'll call H complains that Barclays Bank UK Plc behaved unreasonably when it made changes to their account.

What happened

Mr and Mrs H told us:

- H's account had initially been set up as a sole trader account, however this had been changed to a partnership in 2005 and made their Barclays Relationship Manager (RM) aware of the change.
- After this date, all correspondence was addressed to 'The partners' so they believed the account status had been updated.
- In 2022, Barclays contacted them to undertake a 'Know Your Customer' (KYC) review and said that the account was still set up as a sole trader account, and that H would need to open a new account to reflect their partnership status. The bank said H's account would be closed within two months and all their borrowing would need to be reviewed.
- Barclays said that the lending held by H would also need to be refinanced as this was partnership, rather than sole trader borrowing. This meant H would need to pay for new valuation and security costs to make the changes. This was unfair as a valuation had already taken place in 2002.
- Barclays provided them with estimates for these costs, but these costs were more expensive. This included the solicitors who had been recommended by the bank who they believed had charged them higher fees.
- They had intended to refinance a loan for £400,000 which needed to be completed by the end of 2024, but due to delays caused by Barclays they were unable to meet their deadline and had to refinance elsewhere.
- Barclays caused the partners further distress and inconvenience as it didn't cancel the partners' initial loan request as instructed causing a second loan to appear on their online statements, and its relationship team didn't respond to requests including information requests.
- Barclays had offered them £250 compensation for the inconvenience caused, but they didn't think that was enough. To put things right, they wanted a refund of the costs they'd incurred of £4,300.26 for legal costs and £2,540.00 for the revaluation and more compensation for the distress caused.

Barclays told us:

- It undertook a KYC review of H's account in July/August 2022 and identified that there was a discrepancy with the entity type, so it requested further information. It then established that the account was opened in Mr H's name as a sole trader, but he is now in a partnership with Mrs H.
- To ensure it was meeting its regulatory obligations, it needed to open new accounts for H and agree new lending in the name of the partnership. It had originally lent to Mr H as a sole trader, but all the assets and liabilities of the sole trader business had been moved across to the partnership and the liability was shown on the partnership's accounting balance sheet. To change the lending to the partnership, it needed an updated valuation to ensure that it held sufficient security for the lending, and it told H that they would need to instruct solicitors to complete this and gave approximate costs expected for this work.
- Mr and Mrs H say H was changed from a sole trader to a partnership in 2005, but unfortunately the RM at the time only changed the correspondence title to reflect this and didn't change the legal status. So, the current RM gave H a favourable rate for the refinance as a gesture of goodwill.
- It had made an error when the duplicate loan had appeared on H's statement. This had happened when H had cancelled the £400,000 loan they'd initially wanted for consolidation purposes and decided just to refinance the borrowing held with the bank for £160,000. It hadn't cancelled the original application in time for this not to show on H's online banking and it was sorry for the distress this had caused.
- H was advised that regardless of whether the change in legal status had taken place in 2005 or now, the updated valuation fee and solicitor's costs would always have been payable by the partnership to allow the changes to take place. So, it wouldn't be looking to refund these costs.
- It had offered H £500 for the distress and inconvenience of the account not being changed in 2005, for the partners not being able to get support when they needed the £400,000 loan to complete, and this loan then appearing on H's online banking due to issues with the timing. It had confirmed to H that there had been no financial impact because of this, but it apologised for the distress this may have caused.

Our investigator thought Barclays offer of £500 was enough to put things right. They agreed that an error had taken place in 2005 when the partners thought the account had been opened in the name of the partnership. However, they thought the £500 compensation for this and the delays in processing H's refinance request was sufficient. They noted that the partners wanted the legal and valuation costs refunded, however they thought these costs would always have been payable by the partners. The investigator also noted the issues H said had been experienced when changing refinancing their debt, however they weren't persuaded H had incurred a financial loss because of this.

H didn't agree and asked for an ombudsman to review their complaint. They didn't agree that the costs incurred would always have been payable and noted the RM hadn't mentioned any costs when they'd visited their address to discuss the refinance.

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 H but there's not much more that I can add to what our investigator has already said. I haven't addressed every point that H has raised because I have focussed on what I believe is the crux of their complaint. The informal nature of this service allows me to do so.

H says that Barclays behaved unreasonably in requiring them to pay for a new valuation of their property and additional solicitor's costs as they had made the bank aware in 2005 that they were now trading as a partnership, rather than sole trader. They feel the timing of the bank's request was unreasonable as they were in a different financial situation in 2005 to what it is now. I acknowledge that H feels the £500 offered from the bank is insufficient compensation for this error and it should pay the valuation and solicitors costs, but I think the bank has done enough to put things right.

I say that because I'm satisfied that the valuation and solicitor's costs would always have been payable by H, regardless of when the change of entity type took place. Barclays has told us that once H transferred to a partnership, it transferred its assets and liabilities to the partnership and that this was recorded on the partnership's accounts. This meant the bank needed to reassess the security it held from H still met its lending criteria, it says this would have been required regardless of when this change took place. Given that the financial position could have been different between Mr H as a sole trader and H as a partnership, I think it was reasonable for the bank to want to check that its lending criteria was still being met. And that there was no change to the security that it held as a result of this change.

But in any event, H held an overdraft with Barclays, and the terms of the overdraft say that "*The Bank may at any time require any asset secured in favour of any Secured Party to be professionally valued at the Borrower's expense*". I recognise that H says that their property was valued in 2002, however it's not unusual for a bank to request the revaluation of its security every five to ten years to check that its borrowing is still covered by sufficient assets to meet its lending criteria and protect its financial position in the event a borrower is unable to repay their debt. So even if H hadn't been looking to change the account type from a sole trader account to a partnership account or consolidate any lending, the bank still could have requested that it pay for a valuation to be undertaken. This could have been requested by Barclays at any time, including when H's overdraft facility was renewed, which appears to have been annually.

I recognise that H says had Barclays requested this in 2005, the partners would likely have had additional finances to cover the costs. However, as I've explained I can't fairly hold the bank responsible for this, as it could have requested that numerous valuations had been undertaken from 2002 onwards in line with its facility terms but that wasn't the case. So, I don't think Barclays was unreasonable in asking H to provide it with an updated valuation of its security. And I'm satisfied that in line with the agreement terms H would always have been responsible for covering the valuation costs if it wanted to continue with the borrowing facilities provided by Barclays.

I acknowledge that H is also unhappy as they had to pay solicitors costs to change their borrowing to the partnership. However, I don't think it was unreasonable that Barclays has declined to refund these costs, as it was the partner's decision to change their entity type. As Mr and Mrs H wanted the partnership to be liable for the debt, there would have been legal documents that needed to be completed to make this change to ensure that the partners understood what this would entail.

H says told us that they feel the solicitors recommended by Barclays charged them higher fees than they were initially advised, and more than they would have been charged by other solicitors. However, Barclays says that it didn't recommend solicitors but simply gave the details of local firms the partners could use. I can't say for sure what was agreed between

the parties; however, I think H ought reasonably to have requested a quote for the legal costs from the solicitor that undertook the legal work. And I think it's reasonable to believe that if H was unhappy with the quote provided by the solicitors and this was significantly different to what was expected, they could have sought alternative options for the legal work. I also haven't seen any evidence that the solicitors were working on behalf of Barclays, so I can't fairly say the bank would have been able to influence the cost of the legal work.

However, I do think Barclays has caused H inconvenience here. I've seen statements from Barclays to H, and I can understand why the partnership was surprised that the entity change hadn't already taken place, given that the statements are addressed to 'The partners.' I also acknowledge that it would have been distressing for the partners to not to be able to contact their RM when they were trying to meet a completion deadline, and to then find a duplicate loan appearing on their statements after they'd decided not to proceed with the original loan and only refinance the balances held with Barclays. But Barclays has apologised for its errors, confirmed that H didn't incur any financial loss from the duplicate loan, and offered £500 compensation. And the partners have also told us that they were able to refinance before their deadline as needed, albeit not with Barclays for some of the borrowing. So, taking everything into account, I think that Barclays has done enough to put things right.

My final decision

Barclays Bank UK Plc has already made an offer to pay £500 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that Barclays Bank UK Plc should pay £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 15 December 2025.

Jenny Lomax
Ombudsman