DRN-5859557

The complaint

Mr B complains about the service he received from Barclays Bank UK PLC ("Barclays") when he applied for a loan.

What happened

Earlier this year Mr B applied to Barclays for a business loan. He'd had a business bank account with Barclays but no longer uses it, having moved his business banking to another bank a few years ago.

Mr B was told on a telephone call that his loan application had been declined due to affordability issues and a debt which had been written off in the past. Mr B asked for details of the debt. Barclays' agent said it was a personal credit card debt which Mr B had only partially paid, and Barclays had written off the balance. The agent said it wasn't on Mr B's credit file, and she didn't have any dates or other details. Mr B said he couldn't recall a debt being written off.

A few days later, Mr B received a letter confirming Barclays' decision about the loan. It said that the lending decision was based on the ability of Mr B's business to repay the borrowing. It said it had looked at the amount of cash flow the business had available to meet annual interest and loan repayments and didn't think the business could afford the borrowing. It said that the way Mr B ran the banking facilities didn't support his application. Barclays said that Mr B could appeal the decision.

Mr B decided to appeal and contacted Barclays. During a call about this, Barclays' advisor asked if Mr B was aware of the marker on his personal credit card account. Mr B said he was aware now due to the recent call. He said he had spoken to the credit card department who confirmed it dated back to 2013. But he said they hadn't been able to tell him anything about it because it was so old that the details were no longer on their system.

The conversation then moved on to how much Mr B wanted to borrow. He said he actually needed less than he'd originally applied for and there was a discussion about what he would use the money for. He said he would use some to pay off an existing loan with Barclays and some credit card borrowing; the rest would be used to buy tools for his business. The advisor asked some further questions and ran the application again. The result was the same: it was rejected due to affordability. The advisor explained that the system didn't think Mr B could afford the loan.

Mr B said that the figures included monthly repayments for his existing loan and credit card. He said that the monthly repayment figure on the new loan wouldn't be much more than he was paying for the existing loan. And, because he planned to use the new loan to clear the existing one and pay off some of the credit card balance, his overall monthly outgoings would be less with the new loan. He said he would easily be able to afford the repayments. The advisor said she would escalate the case.

She called Mr B back around two days later and confirmed that the application had been declined due to affordability. She said that Mr B would receive a letter detailing the reasons.

Mr B still wanted to appeal, and the advisor said that someone would contact him. The call was followed up with a letter confirming that the application had been declined. As before, it said the decision was based on the ability of Mr B's business to repay the borrowing. It also confirmed that he could appeal the decision.

Around two weeks later, a different advisor called Mr B. He said the application had been declined due to affordability. He asked if there was a reason why Mr B doesn't use Barclays for his business banking. Mr B said it's because his other bank doesn't charge him for the account. The advisor said that, if Mr B banked with Barclays, the underwriters would have much more information to look at and it would make future lending a lot easier. He asked if Mr B would consider coming across to Barclays and Mr B said he would if it helped.

The advisor went on to ask why Mr B wanted to appeal the lending decision. Mr B said he disagreed with the affordability issue. The advisor asked if Mr B had any additional information. Mr B said that he would use the new loan to clear his existing Barclays loan and credit card. He said he'd never missed a loan repayment. And the monthly repayments for the new loan would be less than what he was paying for the existing loan and credit card. So he would be paying out less each month. The agent said he believed the loan was affordable but it wasn't his decision. He said he would put the appeal forward to the credit writers.

Around one week later, Mr B spoke to the same advisor. He said the appeal had been declined due to insufficient affordability, as the bank statements Mr B had provided showed greater outgoings than receipts. The advisor said the application had also been declined based on the operation of Mr B's business bank account; he hadn't used it, so the credit writers didn't have much information. He said there was also insufficient security in that Mr B said he was going to pay off an existing, government backed loan but if he didn't pay if off the borrowing wouldn't be secured. He also referred to the credit card collection marker on Mr B's personal record. Mr B and the advisor discussed each of the reasons. Mr B didn't think they were fair and said he would complain to the Financial Ombudsman Service. The agent said he would go back to the credit team but didn't think they would change their decision.

A few days later, Barclays wrote to Mr B to confirm that his appeal had been unsuccessful. It said the decision was based on affordability and that it didn't look as though Mr B's business could afford to repay the borrowing. It also said that the security Mr B had offered wasn't enough to cover the borrowing.

Around two weeks later, Mr B spoke to the same advisor again. The advisor said he'd tried to discuss the personal debt with the credit card team, but they couldn't speak to him about it due to data protection issues. Mr B said that wasn't how things had been left: the advisor was supposed to speak to the credit writers again. The advisor said that they wouldn't discuss it with him either, but they were standing by their reasons for declining to lend. The advisor said he was calling to take details of Mr B's complaint. There was much discussion about what had been said previously and whether a complaint had already been raised, which Mr B said should have happened. He was unhappy about his application being declined due to him not banking with Barclays; he didn't think Barclays should rely on a debt which was written off 12 years ago; and he thought the bank's opinion on affordability was subjective and unfair. He was also very unhappy with the service he'd received from Barclays throughout the application process.

Barclays responded to the complaint around one month later. It said there had been no errors in its decision making about the loan. But it agreed that the service Mr B had received wasn't up to its usual standards and offered him £200 to resolve that part of the complaint.

Mr B declined the offer and brought the complaint to this service. He didn't think Barclays' lending decision was fair, particularly as it had relied on information about a historic credit card which was no longer on his credit file. He said that Barclays had given him a new credit card account since that time, so he didn't think it was justified in relying on the historic debt. Mr B didn't think the other reasons for declining his application were fair either. He said that, because of Barclays' decision, he's been paying a large amount of interest on a credit card which would have been paid off with the loan monies. He said the situation has been incredibly stressful and taken many months.

Our Investigator thought Barclays' offer was fair and didn't ask it to do anything else. But Mr B didn't agree and asked for the complaint to be reviewed by an Ombudsman.

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.

There are two aspects to the complaint: the lending decision and the customer service. I'll consider them in turn, starting with the lending decision.

Barclays' lending decision

As our Investigator explained, it's not the role of this service to tell businesses who to lend to or what processes they should use to make lending decisions. Instead, we look at whether a business followed the correct process when making its decision and we decide complaints by reference to what is fair and reasonable in all the circumstances.

I've considered whether Barclays followed the correct process here and I think it did.

After Mr B made his application, I'm satisfied that Barclays carried out checks and assessed whether the loan was affordable for his business. It's for Barclays to set its own lending criteria and decide what information it needs to make lending decisions. Here, it used information provided by Mr B, information from his credit file and information it already held about his Barclays accounts to make its decision. I think that was reasonable.

After reviewing this information, Barclays decided not to lend to Mr B. It told him about his right of appeal, and I think it had a fair process in place for reviewing the original decision. I think Mr B had the opportunity to put forward any additional information he wanted Barclays to consider. And I'm satisfied that the application was put forward to the credit team for review, where it was considered afresh.

The Lending Standards Board's Standards of Lending Practice require that, when an application is declined, the customer should be provided with the primary reason for this in writing. Barclays did that here. I realise that Barclays referred to several reasons when discussing its decision with Mr B at different stages. But I'm satisfied that the main reason it declined to lend was concern over affordability. That was confirmed in writing to Mr B at each stage of the process.

I've listened to the calls between Mr B and Barclays. One of the advisors did say he thought the lending was affordable. However, he went on to say that it wasn't for him to decide – the decision would be made by the credit writers. That was correct; the application was put forward to a specialist team to review. The lending decision was made by that team, not the advisor who spoke to Mr B on the telephone.

When the advisor spoke to Mr B again, he outlined the credit writers' reasons for declining the application. The first reason given was insufficient affordability, and the advisor referred to the bank statements Mr B had provided.

Under the Standards of Lending Practice, a lender's main responsibility is to provide a borrower with a product that is affordable and meets their needs. So it needs to check that a borrower can afford the borrowing. Barclays didn't think the loan was affordable for Mr B. Mr B strongly disagrees with that conclusion, particularly as he says the new loan would have reduced his outgoings. But that didn't necessarily mean the lending would be approved. Each lender has its own lending criteria and approach to risk; where one lender may lend, another may not. And the same lender may choose not to lend to a customer it has offered credit in the past as lending criteria may be different for the new borrowing, or the overall circumstances may be different.

From the information I've seen, I think Barclays' decision not to lend on affordability grounds was reasonable.

Another reason relayed by the advisor was that there was insufficient security for the loan. In explaining this, he referred to the fact that Mr B had said he would use the new borrowing to pay off an existing loan. The advisor said that Barclays was protected because of a government guarantee scheme and if Mr B decided not to pay off that loan, then it wouldn't be secured. He said that Barclays couldn't guarantee Mr B would use the money to pay off the existing loan or his credit card. This led to a discussion about how a bank could never guarantee how a customer would use loan monies and Mr B said Barclays was setting an impossible criterion for the loan. He said it followed that Barclays would always decline loans which the customer intended to use for debt consolidation because it couldn't be sure that they would use the money in that way. He said that didn't make sense and wasn't fair.

I can understand Mr B's point of view, based on this conversation. But I don't think the advisor explained the bank's decision-making clearly. From the evidence I've seen, I find that the credit writers' concern around the existing loan was not about whether Mr B would pay it off as he had said he would. It was that the new loan would be more of a risk for the bank than the existing one. Barclays had a full government-backed guarantee against Mr B's existing borrowing. So it had security for that loan. But Mr B was proposing to borrow more money from Barclays to pay off the fully secured loan with a new loan that didn't have government backing. That was a significant increase in risk for Barclays. I'm satisfied that was what Barclays meant by a lack of security. Unfortunately, I don't think the advisor explained this well and I think that has caused Mr B some upset and inconvenience.

I find that Barclays did have a concern as to whether Mr B's credit card debt would be repaid with the new loan. Barclays would have had no control over that. And, even if the credit card balance was fully repaid, there would be nothing to stop Mr B using the card again in the future, adding to his outgoings again. I think these were reasonable considerations.

So, I find that Barclays didn't decline to lend simply because it couldn't be certain the funds would be used as described by Mr B. But I can understand why Mr B thought that, based on his conversation with Barclays' advisor.

Turning to the credit card collection marker, I find that this information was held on Barclays' own system. It wasn't on Mr B's credit file, so another lender wouldn't have become aware of it through a credit search. I understand that it has since been removed from Barclays' records. I don't think it's unreasonable for Barclays to have considered this information when looking at Mr B's application. But I don't think it made a material difference to the outcome of the application. It was raised by all the agents and advisors who spoke to Mr B. Understandably, that gave Mr B the impression that the marker was largely responsible for

Barclays' decision not to lend. But I find that it wasn't a significant part of the credit writers' decision. I'm satisfied that affordability was the primary reason for the decision. A lot of time was spent talking to Mr B about the marker but, from what I've seen, I think Barclays would have declined the application even without the marker.

As to the fact that Mr B doesn't bank with Barclays, I don't find this to be a reason why Barclays didn't lend. The advisor explained that it, if Mr B banked with Barclays, it would be helpful because it would give the credit writers more information about his business. I think this was really an expansion of the affordability point. I don't find that the lending was declined because Mr B banks elsewhere.

Overall, I'm satisfied that Barclays followed the correct process here. And I think its lending decision was reasonable in the circumstances.

Customer service

Mr B says that Barclays' customer service was awful from the start of his loan application. I find that he had to keep chasing Barclays for answers and updates as the advisors regularly didn't call him when they'd said they would. This was frustrating and inconvenient for Mr B.

I don't think the advisor who was liaising with him about the appeal explained the reasons for the decision clearly. I think this has added to the stress of the situation for Mr B. I also find that the advisor didn't follow things up in the way he'd said he would. This was very frustrating for Mr B.

Ultimately, I don't think the lending decision would have been different without these errors. But if the customer service had been better, the experience would have been less stressful, inconvenient and time consuming for Mr B.

Barclays accepts that the service was poor and has offered Mr B £200 as compensation for this. I think that's a fair amount and reflects the impact of its mistakes. I realise this will be disappointing to Mr B and I'm sorry for that. But I don't think Barclays needs to do more here.

My final decision

Barclays Bank UK PLC has already made an offer to pay £200 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 £200 to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 31 October 2025.

Katy Kidd
Ombudsman