

complaint

Mr T complains about a consolidation loan Barclays Bank Plc gave him in 2011. He says it put him in a worse financial position than he was in before he took it out.

background

In 2008 Mr T took out a £1,900 loan with payment protection insurance over 60 months. The interest rate was 22.54% and his monthly repayments were £71.04 (the "2008 loan").

By 2011 Mr T was experiencing financial difficulties. He was struggling to repay the 2008 loan, and was on a temporary repayment plan. And his current account was overdrawn.

Barclays offered Mr T a new loan to consolidate his debts and keep his banking facilities open. Mr T agreed to it in May 2011. The consolidation loan (the "2011 loan") was for £2,600 plus interest. So he had to pay £3,525.12 over 48 months. Most of the loan was used to repay Mr T's existing loan and overdraft. The interest rate was 16.019% and monthly repayments were £73.44.

Mr T says that if he made all his repayments under the consolidation loan he will end up paying more than he initially owed under the 2008 loan and overdraft. So the 2011 loan put him in a worse financial position than he was before. But our adjudicator disagreed. He said that the 2011 loan allowed Mr T to keep his banking facilities open. It gave him certainty about what his repayments were and when they would be taken. And it meant that the debt couldn't be called in on demand as the overdraft could.

Mr T disagreed with the adjudicator. So I've been asked to review this complaint. He says Barclays profited from his situation. He's unhappy that Barclays defaulted his account in March 2013. He wants his remaining debt written off, and the loan recorded as satisfied on his credit file. He's also unhappy that Barclays can't provide a recording of the phone call when he was offered the 2011 loan. He doesn't remember being offered any other alternatives at the time, and wants to check. He also complains about the amount of time Barclays has taken to deal with his complaint. Barclays accepts there were some delays. So it has paid him £100 in total to resolve this aspect of his complaint after our adjudicator suggested it.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I understand that Mr T is unhappy that he still owes Barclays money. But I'm not persuaded it did anything wrong when it offered him the 2011 loan. Given his financial situation at the time, Barclays was required to treat Mr T positively and sympathetically. It appears it did this. It reached an agreement with him to consolidate and repay his debt in a managed way, whilst keeping his accounts open. I'm satisfied it considered whether Mr T could afford the 2011 loan. And it was upfront about what the interest rate and monthly charges were. It appears to me that Mr T was able to afford it at the time given that his account wasn't defaulted until March 2013.

Barclays has told us it didn't add interest to the remaining debt after Mr T's account defaulted in 2013. It was entitled to apply interest before this. In May 2013 Mr T agreed to repay £5.13 a month towards his debt. And at the end of May 2014 Mr T increased his monthly repayments to £16.41 a month. After Mr T's account was defaulted in 2013 he used the services of a debt management company. Its records indicate that by January 2014 Mr T's financial position had improved. So I can see why he offered to pay more each month to clear his debt.

I appreciate that Mr T is frustrated by his current situation and questions whether he should've acted differently. He thinks he would've paid Barclays less overall if he hadn't taken out the 2011 loan. But that isn't clear to me. He's unhappy that Barclays hasn't been able to provide a copy of the phone call in 2011 when he agreed to the consolidation loan. I accept it's unfortunate that it can't provide this call recording. But having considered the information that is available I think that Barclays was upfront about the costs of the 2011 loan.

I can see that Barclays accepts that there have been some delays in dealing with Mr T's complaint. And it has paid him £100 to cover this. I think that's a fair and reasonable amount to cover this aspect of Mr T's complaint. So I don't think it needs to do any more to resolve this complaint.

my final decision

My final decision is that Barclays Bank Plc doesn't need to do any more to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 18 November 2016.

Laura Forster
ombudsman