

complaint

Mrs D is unhappy about the way Barclays Bank Plc dealt with her when it was reviewing her business overdraft facility of £25,000. Rather than renew the facility, the bank wanted to convert it to a loan.

background

In October 2011, Barclays reviewed Mrs D's business overdraft. It wanted to convert the overdraft to a loan because of concerns it had about the borrowing. The account was overdrawn, close to its limit, and as the business turnover was only £38,000, it did not warrant a facility of £25,000.

Mrs D did not agree to the loan and as there were no other repayment proposals, the account was transferred to the bank's debt recovery unit. She later completed an income and expenditure statement showing minimal disposable income and she has offered to reduce the debt by £10 a month.

The adjudicator did not recommend that this complaint should be upheld. He concluded the bank had exercised its commercial judgement in wanting to restructure the borrowing. Mrs D disagrees. She says she had no choice in the matter and that the loan was not in her best interests. She feels the relationship manager was trying to 'miss sell' the loan and was quite forceful. Despite her son being present, she was distressed by the whole experience. The relationship manager has refuted these claims.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

the overdraft facility

I have sympathy with Mrs D. I appreciate her frustration and distress that her business overdraft facility was withdrawn and that she felt forced to accept the overdraft would be converted to a loan at a very high interest rate.

I accept Mrs D did not want the overdraft to be removed. But I consider that Barclays was legitimately entitled to take this decision, in light of the level of the overdraft (£25,000) and Mrs D's business's annual turnover at the time (£38,000). I am satisfied the bank was entitled to take this information into account when assessing whether it was willing to renew the overdraft facility. Therefore, I do not find that Barclays was at fault in withdrawing the overdraft facility.

the loan facility

The only other facility the bank was willing to offer Mrs D – as a way of repaying her overdraft facility – was a loan.

However, I note Mrs D has said she felt bullied and that the loan alternative she was presented with was very expensive and unattractive to her. She says she was not able to discuss alternative borrowing options and that despite several queries from her and her son about the interest rate payable on the proposed loan, a clear answer was not provided.

When finally she learned of the interest that would be payable, she was upset to find it was 11% higher than the overdraft interest rate.

In all the circumstances and in light of the comprehensive details provided by Mrs D about the nature of the meeting and what was discussed, I consider it more likely than not that Barclays provided disappointing service to Mrs D at that meeting in October 2011. I am satisfied that Mrs D was not given a range of options to consider. I am also satisfied, on balance, that she was informed that, if she did not sign the loan agreement, her overdraft would be withdrawn. I have sympathy with her distress given she felt she was managing an overdraft at an 8% interest rate, but was feeling forced to agree to a loan at 19.9%. In all the circumstances, I find that, in failing to provide clear information about Mrs D's options, Barclays was in breach of the lending code as Mrs D has argued. I consider it more likely than not that Mrs D felt she was under duress.

recovery action

Despite the bank's threats to withdraw the overdraft I see that, for several months, no change was made to Mrs D's account. It was not until July 2012 when a formal demand for repayment of the overdraft debt was made. While this was a time of uncertainty for Mrs D, I am unable to find that she took any steps over that period to mitigate the risk that the overdraft would be withdrawn. Since the debt has been moved to the debt recovery unit, no agreement has been reached for the repayment of the debt. I note Mrs D has provided an income and expenditure statement, but Barclays has declined Mrs D's offer of £10 a month. At present I note Barclays is not taking any further action until this complaint is resolved.

In all the circumstances, while I do not consider Barclays to be at fault in withdrawing the overdraft and converting the debt to a loan, I do consider that the way in which this was communicated to Mrs D could have been better handled. I accept that the news that an overdraft is being withdrawn is difficult to convey. However, on balance, given that I am satisfied Mrs D was not provided with any options or alternatives, that she was not told clearly what the terms of the new loan would be and that she felt threatened, I find Barclays provided disappointing service to Mrs D. I also consider that the absence of any communication or clarification from Barclays between October 2011 and July 2012 more than likely compounded Mrs D's distress and anxiety about repaying the overdraft.

Nevertheless, I note Barclays has said it will not try to enforce the debt until this complaint is resolved. In light of the income and expenditure particulars Mrs D has provided, I am satisfied Mrs D will struggle to repay the debt. Given her financial circumstances, the fact the account has been moved to debt recoveries and Barclays' obligation to treat Mrs D in a positive and sympathetic manner, I am satisfied Barclays is attempting to assist Mrs D.

To conclude, I do not find Barclays to be at fault in withdrawing Mrs D's overdraft facility and requiring her to convert this to a loan. However, I find that in failing to provide her with a clear range of options and in leaving her feeling threatened into agreeing to an unattractive loan, Barclays provided disappointing customer service which caused Mrs D distress and inconvenience.

my final decision

My decision is that I uphold this complaint in part and order Barclays Bank Plc to pay Mrs D £200 compensation for the disappointing service it provided.

Zoe Copley
ombudsman