

## **complaint**

Mrs S complains that Barclays Bank Plc didn't honour its promise to write off her loan.

## **background**

Mr S brings this complaint on behalf of his wife, Mrs S. In 2002 Mrs S borrowed a five-figure sum from Barclays in order to repay her overdraft. She made monthly repayments on this loan until February 2010. After that, the loan fell into arrears. That loan is the subject of this complaint.

Mrs S was the director of two limited companies. She and her husband had guaranteed the companies' debts with Barclays. By 2009 the companies were struggling to repay their debts. Barclays froze their accounts and issued a final demand. Those debts were later sent to recoveries.

Mrs S says that in 2013 Barclays agreed to accept a payment of £85,000 in full and final settlement of all of the debts – including her personal loan. But in December 2014 she unexpectedly received a default notice for the personal loan. (The settlement was paid in January 2015.)

Barclays says that the settlement did not include the personal loan, but was only for the companies' debts. But Barclays did accept that it had made an error by not sending the personal loan to collections in 2010. It offered to refund all of the interest that had accrued on the loan since her last payment (which came to well over £5,000), and rework the loan so that her monthly repayments would be the same they had been in 2010. And it paid her £200 compensation. But Mrs S wants Barclays to write off the whole debt.

Our adjudicator did not uphold this complaint. He thought the correspondence between the parties had made it clear that the personal loan was not included in the settlement. And the annual loan statements would have made Mrs S aware that the loan was still outstanding. Mrs S has asked for an ombudsman's decision.

## **my findings**

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

In 2009 Barclays agreed to release the charge it held on a property so that Mrs S could re-mortgage it and use the proceeds to pay off her personal loan in full. The rest of the proceeds were to be paid towards the companies' debts. That agreement was subject to a deadline, which Mrs S missed. A similar agreement was made in 2010, and the deadline was missed again. The letters containing each agreement clearly state that the agreements will expire if they are not concluded by the given deadlines. So I don't think that either of these agreements are evidence that the loan was included in the settlement. (But they may explain why she thought that it was.)

In 2012, and again in 2013, Mrs S offered to pay Barclays £85,000 in full and final settlement of her debts. She didn't specify which debts she meant. But given what had been discussed before, I think it's likely that she meant all of the debts, including her personal loan.

In November 2013 Barclays wrote her a letter which was headed "Guarantee liability given to [names of both limited companies]." It doesn't mention the personal loan. It gave her six months to sell another property and pay £85,000 of the proceeds in settlement of the debts. From the heading I take this to mean the companies' debts only.

Another letter was sent to Mrs S in May 2014. This one was headed "YOUR OUTSTANDING DEBT IN RESPECT OF GUARANTEE LIABILITY GIVEN TO [names of both limited companies]." It set out the terms of the November agreement, and gave her a deadline extension until August. Again, it doesn't mention the personal loan. So I think the agreement was only about the companies' debts.

Subsequent correspondence about the settlement referred specifically to the November 2013 agreement. There's nothing to suggest that the settlement included the personal loan.

Mrs S paid the settlement in January 2015. She received a letter stating that she had been released from three personal guarantees. The letter lists them. Each guarantee relates to one of her companies.

Mrs S has drawn my attention to some emails between Barclays and her solicitor. But the bank's email of November 2014 expressly refers to "our previous agreement." It is clear from the bank's contact logs that this means the November 2013 agreement (the deadline of which had been extended again). I think that would have been clear to the solicitor and to Mrs S, from the context in which the emails were exchanged. There's nothing in the emails to suggest that the personal loan was included in the settlement. The emails are mostly about confirming that the bank's charges over some properties will be released once the settlement has been paid. But I've seen no evidence that the personal loan was ever secured.

Mrs S told Barclays that she thought the personal loan had been consolidated with another loan in 2008. I've seen no evidence of that, and the loan statements do not bear that out. Two loans were consolidated in 2008, but neither of them was the personal loan. Mrs S says she was paying £500 a month towards the consolidated loan. The loan repayments she made to the personal loan account until February 2010 were never for that amount. And Mrs S continued to receive loan statements from 2008 to 2014. So I think she knew, or at least should have known, that it hadn't been consolidated with anything else.

The bank's contact logs indicate that the bank had understood that the £85,000 was in settlement of four loans adding up to around £110,000. So it was writing off about £25,000. By that time the personal loan (including interest) was another £22,000. I don't think it's likely that Barclays would ever have accepted £85,000 in settlement of debts of about £132,000.

So I am not persuaded that the settlement included the personal loan. I think that Barclays explained the terms of the agreement clearly enough in its correspondence, so I don't think it's the bank's fault if Mrs S believed that the loan was included. I am reinforced in that view by the fact that Barclays continued to send her annual loan statements.

Barclays has explained that the loan was not sent to collections in 2010 due to a computer error. It apologised and offered to remove the interest that had accrued since then. It has since also offered to remove the default marker for the loan from her credit file. And it has paid her £200. I think that is a fair offer, and so I don't require Barclays to do more than that.

**my final decision**

My decision is that Barclays Bank Plc must:

- refund all the interest that has accrued on the personal loan since 6 March 2010;
- rework the loan, based on the original interest rate, so that the monthly repayments are £294.47;
- remove the default marker relating to the personal loan on Mrs S's credit file.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 8 March 2016.

Richard Wood  
**ombudsman**