

The complaint

Mr H complains that Barclays Bank UK PLC wrongly placed a fraud marker against his name and closed his bank account causing serious repercussions for him.

What happened

Mr H held personal and business accounts with Barclays.

I'm aware that Mr H has made a separate complaint regarding his business account. This decision will address Mr H's complaint about his personal account.

In January 2020, a payment for £3,000 was made into Mr H's business account from another bank, which I will refer to as Bank A. Mr H then made a number of transfers of those funds from his business account with Barclays.

Bank A then contacted Barclays, indicating that the £3,000 payment it had made wasn't genuine, but had been made fraudulently. Barclays blocked all of Mr H's accounts and decided it needed to look into how Mr H was operating his accounts. Following its review, it placed a fraud marker against Mr H's name with CIFAS, the Credit Industry Fraud Avoidance System. And it decided to close Mr H's account immediately.

Mr H complained to Barclays. He explained that he hadn't known the funds were fraudulent and said he hadn't done anything wrong. He told the bank that he'd received the funds as payment for goods he'd provided as part of his business. He said because of the marker he was having difficulty opening another bank account, his mental health had suffered, and because of the block he hadn't been able to pay his bills so had to borrow money.

Barclays accepted what Mr H said about the funds and removed the marker on 9 April 2020. Barclays also offered Mr H £400 compensation for the trouble and upset he'd been caused. Mr H said this wasn't enough to put things right. And he wants Barclays to reopen his account. So, he brought his complaint to our service.

An investigator looked into Mr H's complaint. She said that Barclays hadn't done anything wrong when it blocked and closed Mr H's account. She said Barclays shouldn't have loaded a marker against Mr H and that he'd suffered trouble and upset as a result. She thought the bank's offer of compensation was fair. Mr H disagreed. He says the amount of compensation offered doesn't adequately reflect the amount of distress and inconvenience he's suffered. As no agreement could be reached the complaint has come to me to decide.

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.

Cifas marker

The marker that Barclays recorded against Mr H is intended to record that there's been a 'misuse of facility' – in this case using an account to receive fraudulent funds. In order to file such a marker, Barclays isn't required to prove beyond reasonable doubt that Mr H is guilty of a financial crime, but they must show there are grounds for more than mere suspicion of concern. CIFAS guidelines say:

- There must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted; and
- The evidence must be clear, relevant and rigorous such that the member could confidently report the conduct of the subject to the police

What this means in practice is that the bank must first be able to show that fraudulent funds have entered Mr H's account, whether they are retained or pass through the account. Secondly, the bank will need to have strong evidence to show that Mr H was *deliberately dishonest* in receiving the fraudulent payment and knew it was or might be an illegitimate payment. A marker should not be registered against someone who was unwitting, there should be enough evidence to show deliberate dishonesty.

From looking at the evidence, I accept that the payment of £3,000 which was paid into Mr H's business account was fraudulent – in the sense that the holders of the account from which it was made didn't authorise it or were being tricked into making the payment. Their own banks would have investigated the payment before reaching that conclusion and contacting Barclays. Of itself, however, that doesn't mean that Mr H was involved or knew the funds were fraudulent.

Mr H has explained that he received the payment in exchange for goods he provided as part of his business – in other words he was an unwitting beneficiary of fraudulent funds. And he has been consistent in his explanation, which I find plausible. I haven't seen any evidence that Mr H committed a criminal offence. And I've not seen any evidence that Barclays thought this. So, whilst I can understand the banks concerns, I'm not satisfied that Mr H was deliberately dishonest in receiving fraudulent funds. And I don't believe placing a marker against Mr H was proportionate based on what happened. Nor am I convinced Barclays have met the industry best practice guidelines when placing this marker.

I'm pleased to see that Barclays removed the marker as soon as it had spoken to Mr H and accepted it shouldn't have placed the marker against him. The marker was removed on 9 April 2020, so it was in place for just under two months.

It's clear the marker has had a negative impact on Mr including causing him significant difficulties in opening another bank account. From what M H's said and the evidence he's provided I don't doubt that the marker recorded by Barclays has impacted on him greatly. It's caused him a good deal of worry and upset. And the bank should pay compensation to him for incorrectly applying the CIFAS marker. In the circumstances, I agree with investigator that £400 is fair and reasonable compensation to pay in reflection of the distress and inconvenience caused to Mr H. So, whilst I appreciate Mr H will be disappointed, I won't be asking Barclays to do anything more.

block and closure of account

Firstly, the investigator was right to point out that Barclays has important legal and regulatory obligations it must meet when providing accounts to customers. These obligations are ongoing, so do not only pertain to when an account is opened. To comply with its obligations Barclays may need to review an account and/or restrict its customer's access. If Barclays didn't comply with its obligations it could risk serious sanction.

Having looked at all the evidence, I don't believe it was unreasonable in the circumstances for Barclays to block Mr H's account. Barclays has explained that this was its standard procedure, and I accept that it was. That's in line with what most banks would do in the same situation, and it enabled Barclays to consider how best to react to the report it had received from the other bank about the £3,000. So, whilst I accept this caused Mr H inconvenience, I can't say Barclays treated him unfairly when it blocked his account.

Mr H wants Barclays to reopen his account. He's pointed out that he's been a good customer of the bank for a number of years. But it's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep customer or require it to compensate a customer who has had their account closed.

Banks should however, give reasonable notice before closing an account. Usually, that means 60 days' notice, but it can be less – depending on the circumstances. In this case Barclays closed Mr H's account immediately. Having looked at all the evidence, in my view that was reasonable given the banks concerns about how Mr H was operating his account. So, it was entitled to close the account as it has already done. And I won't be asking the bank to reopen Mr H's account.

My final decision

For the reasons I've explained, I'm not going to ask Barclays Bank UK PLC to do anything more to resolve Mr H's complaint. If Barclays hasn't paid Mr H the £400 it offered, it should do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 May 2021.

Sharon Kerrison
Ombudsman