

The complaint

M, a limited company, complains that Barclays Bank UK PLC unfairly froze its bank account. M is being represented by its director, who I'll refer to as Mr K.

What happened

Barclays froze M's account in April 2021, after being notified that M would be dissolved. Before the dissolution took place, a new notice was issued to say that the dissolution had been discontinued. But Barclays went ahead and froze M's account. After Mr K contacted Barclays about this, the bank lifted the account freeze. M's account was frozen for around two weeks and Mr K complained to Barclays because of the impact this had.

Barclays agreed it had incorrectly frozen M's account. The bank pointed out that it had failed to carry out the necessary due diligence before implementing the freeze. It also recognised that it could've done more to lift the freeze sooner. Barclays offered M £850 compensation to put things right. Mr K also wanted Barclays to compensate for business losses and damage to M's reputation. The bank didn't agree so Mr K asked this service to get involved.

One of our investigators pointed out the problems M experienced because of the bank's error and asked the bank to add a further £400 compensation on top of what it had already offered. Barclays agreed but Mr K thinks it should pay more. So the complaint has been passed to me for a final decision.

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.

I agree that an additional £400 compensation is a fair way to settle this complaint. I'll explain why.

At the point from which Barclays put the account freeze in place, a discontinuation of the dissolution had already been issued around two weeks before – so Barclays incorrectly put the account freeze in place. Barclays has already recognised its error and points to a lack of due diligence – the bank says it should've checked the Companies House register for any updates first. Had Barclays done so, it would've avoided causing the problems M experienced because of the account freeze.

Barclays also recognises that it should've removed the account freeze sooner, as it took the bank around two weeks to lift the freeze after Mr K got in touch. I can see from Barclays' notes that Mr K had to chase up the bank several times during this period. Barclays made an offer to settle the complaint, but, like our investigator, I don't think this offer was enough and I'll explain why.

Mr K tells us that M experienced the following issues because of the account freeze Barclays incorrectly put in place:

- M was unable to make payments that it had committed to – this includes a credit account that was frozen because of the missed payment.
- M couldn't pay its staff on time and at least one staff member left because of this. Mr K says he's had to hire new staff.
- M's reputation was damaged with other companies it conducts business with – M has provided evidence to show credit arrangements with these companies were terminated because M couldn't pay a balance it owed.

Barclays initially pointed to its terms that say that it wasn't liable for the losses experienced by M. But my powers allow me to depart from the terms and conditions of M's account in the interests of fairness. So I think it's fair that Barclays increases its compensation for the inconvenience it caused.

Mr K indicates he experienced stress because of what Barclays did wrong and spent a lot of time dealing with this issue. Mr K also says the stress led him to breaking his phone because he found it difficult to deal with the calls he'd been receiving about balances he owed. However, as our investigator rightly pointed out, this service can only consider the impact to M. So I can only ask Barclays to compensate M for the inconvenience M experienced – not Mr K as M's representative.

Mr K indicates that M is still experiencing problems even after the account freeze was lifted. He says the way M conducts business has had to change as the firms it works with won't allow M to set up a credit facility. Mr K also says that a credit account remained blocked some time after Barclays lifted the account freeze. Mr K points to further losses M has experienced and expects these losses to be covered.

Unfortunately, Mr M hasn't been able to provide evidence of further losses. And although I don't doubt that M may be experiencing continued problems – given it's been over a year since Barclays lifted the account freeze, I can't fairly conclude that Barclays is responsible for ongoing issues. So I won't be asking the bank to pay compensation at the level Mr K wants it to.

Barclays agreed to the increased compensation figure recommended by our investigator and I think this is a fair way to settle the complaint. So, if M accepts this decision, Barclays can put things right in line with what I'll set out below.

Putting things right

Barclays unfairly froze M's account, causing unnecessary inconvenience to M and damaging M's reputation. To put things right, Barclays should pay M £400 compensation in addition to the £850 it has already offered - £1,250 in total.

My final decision

I'm upholding this complaint. Barclays Bank UK PLC should settle the complaint by paying M a total of £1,250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 29 July 2022.

Abdul Ali
Ombudsman