

The complaint

Mr T and Mrs T complain on behalf of their company R. They're unhappy that Barclays Bank UK PLC restricted access and closed R's accounts without appropriate notice. And Barclays used credits applied to R's account to pay off their overdraft.

What happened

Mr T and Mrs T's are directors of R. They're also directors of a linked business, I'll call H, who's accounts were also closed by Barclays. I'll be considering the banks actions in relation to H in a separate decision.

R had three accounts with Barclays, a business current account, a business loan and a savings account.

On 9 June 2020 Barclays restricted R's access to their accounts and carried out a review. After a complaint from R's directors Barclays decided to unrestrict R's access to their accounts on 17 June 2020. On 19 June 2020 Barclays asked R some questions about their business including the account activity. Mrs T provided answers to Barclays however the bank wasn't satisfied with the responses provided. And on 17 July 2020 Barclays decided to close all of R's accounts.

However, because R's business current account was overdrawn to allow payments into the account the bank decided to keep this account open. But the account remained restricted.

In July and September further payments came into R's current account and Barclays applied them towards the overdraft. However R's account was still overdrawn by just over £10,500. So the bank sent formal demands for payment in September and October 2020 before passing the debt to debt collectors in December 2020.

In September 2020 Mrs T contacted Barclays to negotiate repayment of the outstanding loan and ask whether R's current account could be unrestricted – Barclays initially agreed. However following further review they accepted they'd made an error and informed Mrs T they shouldn't have agreed to unrestrict R's account. Mrs T complained to the bank – and they offered £200 compensation for the inconvenience caused.

Mrs T complained to Barclays about the immediate account closure – which Mr T and Mrs T felt was unfair during the Coronavirus pandemic. They also complained that Barclays held on to funds which credited their account and failed to agree a repayment plan for R to repay the debt.

Barclays looked into R's complaints. The bank thought they'd acted fairly in reviewing R's accounts, restricting and closing them. And they'd fairly applied the credited funds towards the overdraft R owed by the bank.

Mrs T wasn't happy with Barclays' response so complained to our service.

One of our investigators looked into R's complaint – but they didn't uphold it. They thought that Barclays had followed their terms and conditions in closing R's accounts and acted fairly in asking for the overdraft to be repaid. He also thought the £200 the bank offered for the error in reopening R's account was fair.

Mrs T didn't accept our investigator's opinion. So, it's been referred 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.

Account review and closure

I've firstly considered whether Barclays acted fairly when closing R's accounts. A bank is entitled to close an account just as a customer may close an account with a bank. But, before a bank closes an account it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of R's business current account state that there are certain circumstances in which a bank can immediately close a customer's account. Section 9 of the terms and conditions state that Barclays can close an account without any notice if they reasonably believe R has done any of the things listed in 9.6 or 9.7.

I've considered these terms and from the evidence I've seen I'm satisfied that Barclays acted within the terms and conditions when they closed R's accounts.

I realise this will be disappointing to R and I appreciate the closure of their accounts caused Mr T and Mrs T inconvenience. But the bank can make commercial decisions about who it offers banking services to. They can't unfairly discriminate against a consumer. But they can decide they no longer want to do business with individuals. That's because they have the commercial freedom to decide who they'd like to contract with. And I'm satisfied that in R's case Barclays exercised its commercial freedom legitimately when it decided to close their accounts.

I've also considered the account restriction between 9 June and 17 June 2020. Although I appreciate that Mrs T is unhappy that restrictions were placed on R's account businesses have a legal obligation to protect the security of their accounts and to comply with various laws and regulations. R agreed to this term as a customer and it's a reasonable term. I'm satisfied that Barclays were acting in line with their legal and regulatory obligations and in accordance with the terms and conditions of the account when it reviewed R's accounts. So I don't think Barclays did anything wrong when it initially blocked R's accounts and didn't allow them access to their funds.

Overdraft and withholding of funds

I've considered the bank's actions in asking for immediate repayment of R's overdraft. I've seen evidence from Barclays that R was granted an overdraft of £30,000. It's not clear exactly when R's accounts access was terminated – initially Barclays advised R that their current account would be closed on the 17 July 2020, however at this time they didn't actually close R's account. Barclays have explained that they couldn't close R's current account because it was in the overdraft – so instead they kept the account open but restricted R's access to the overdraft.

I can see that on 20 July 2020, just after Mr T and Mrs T were notified that R's account would be closed, £20,000 was transferred from R's current account to Mr T's account. This created a negative balance in R's account of just over £30,000. I find it surprising that R's directors would decide to transfer £20,000 out of R's account – utilising all of the overdraft funds - when they knew their accounts had been under review since early June and should have been closed on the 17 July 2020.

I've also seen a copy of the overdraft offer made to R for £30,000 in March 2020. I can see that the overdraft was offered for a temporary period of four months and was due to be repaid on the middle of July.

I've considered whether the bank acted fairly in asking for full repayment of R's overdraft in August and September 2020 – I understand this will disappoint Mr T and Mrs T however I'm satisfied that Barclays acted fairly here. The evidence shows that R was offered the overdraft for a temporary period of four months. This period ended in July 2020 – around the same time that Barclays restricted R's access to the overdraft. And just before the bank started formal demands for payments. Considering R's overdraft was due to end in July 2020, and fact that overdrafts are repayable on demand, I don't think Barclays acted unfairly here.

I've also thought about the credits which were transferred into R's account following the restriction. As I've already explained R's account was overdrawn by £30,000 before four large credits arrived in late July and mid-September. Mr T and Mrs T requested that the credits were returned to their personal accounts. Barclays have explained that the credits received were applied to R's overdraft debt. I appreciate that this will disappoint Mr T and Mrs T, but I'm unable to conclude that Barclays acted unfairly here. Both parties accept that R owed the overdraft debt to Barclays – therefore I can't say it's unreasonable that Barclays used funds due to R, and paid into R's current account, to pay off some of the overdraft debt. I understand that Mr T and Mrs T argue that some of the payments which credited R's account were in fact for another business – H – but I can't agree with this based on the evidence I've seen.

Repayment Plan

I've considered whether Barclays acted fairly in failing to set up a repayment plan for the overdraft debt R owed Barclays.

The debt was passed to a debt collection agency I'll call C, and from the evidence I've seen I can see that C attempted to contact Mr T and Mrs T on three occasions in December 2020. On 22 December 2020 they spoke over the phone with Mrs T and during this call Mrs T asked for no further calls to be made. Then in March 2021 Mrs T emailed C to explain that Mr T and Mrs T wouldn't be making arrangements for repayment until the case had been considered by the ombudsman service. As Mrs T explained to C they wouldn't agreeing a repayment plan until our service considered their complaint I can't say Barclays acted unfairly. Since Mrs T's request in March 2021 I understand that the debt has been returned to Barclays and collection has been put on hold.

I'd like to remind Barclays of their responsibilities to treat Mr T and Mrs T positively and sympathetically when making arrangements for the debt to be repaid. This will likely involve agreeing an affordable repayment plan with Mr T and Mrs T.

Putting things right

For the reasons I've outlined above, I'm satisfied that the £200 offered by Barclays for the inconvenience caused in unrestricting R's current account is reasonable.

My final decision

My final decision is I direct Barclays Bank UK PLC to:

- Pay R £200 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 28 March 2022.

Jeff Burch
Ombudsman