

The complaint

Mr K complains that Barclays Bank UK PLC restricted access to his account, closed it without notice and withheld his funds.

What happened

Mr K had a bank account with Barclays.

On the 23 November 2019 Barclays restricted Mr K's access to his account. The bank expected to complete the review within 10 working days – and notified Mr K of this – however the review wasn't completed until the 9 December 2019. On the 13 December 2019 the bank wrote out to Mr K and informed him they'd be closing his account with immediate notice – but they didn't close his account until the 17 December 2019.

Barclays asked Mr K to provide proof of entitlement for some of the funds in his account. Mr K provided some evidence however Barclays informed him this wasn't sufficient. And as a result they held on to his funds for 90 days, as they're allowed to, in case of any claims on the funds.

Unfortunately all of Mr K's funds weren't made available to Mr K on the 3 March 2020 – Barclays made an error and failed to release just over £400.

Mr K complained to Barclays about their restriction of his account, poor customer service and withholding of his funds. Barclays looked into Mr K's complaint and partially upheld it – they thought they'd acted fairly in restricting his funds, however the bank thought they could have given Mr K more guidance about what he needed to provide to give proof of entitlement and they'd not completed their review within 10 working days. So they offered Mr K £275 compensation. Mr K didn't accept, and made a further complaint to say they hadn't released all his funds – on reviewing Mr K's complaint Barclays agreed, they transferred the remaining funds out and paid him £200 in compensation for the additional failings. Mr K didn't accept Barclays response – and said he had to visit the branch on several occasions to collect his funds, and he'd not committed fraud so they'd acted unfairly.

One of our investigator's looked into Mr K's complaint, and thought that Barclays needed to do more. They thought the bank had acted fairly in restricting access to his account, closing it with immediate notice and withholding some of his funds. But they thought Barclays should have asked for further proof of entitlement for the other funds withheld – and shouldn't have held on to them for 90 days. Overall, our investigator thought that Mr K should be compensated a further £100.

Barclays accepted our investigator's recommendation but Mr K didn't.

In response he said:

- There's no indication of fraud
- He'd like £1,000 compensation and his account reopened

As Mr K didn't accept our investigator's view the case was passed to me for a decision. On picking up Mr K's decision, I reviewed his case and came to a slightly different decision to our investigator.

I concluded that Barclays acted unfairly in closing Mr K's basic bank account and recommended they compensate Mr K an additional £275 plus 8% for withholding his funds.

Barclays accepted. But Mr K didn't. In summary he said:

- He doesn't think it's fair Barclays won't reopen his account – it's the most convenient for him and he needs an account for three years to obtain credit
- He'd like more compensation

As Mr K didn't agree with my recommendation, I've reconsidered my conclusions below.

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.

In my provisional decision I said:

Account restriction:

Although I appreciate that Mr K is unhappy that restrictions were placed on his account businesses have a legal obligation to protect the security of their accounts and to comply with various laws and regulations. Mr K 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 Mr K's account. So I don't think Barclays did anything wrong when it initially blocked Mr K's account and didn't allow him access to his funds.

Barclays have however accepted that they took longer than they'd expect to review Mr K's account – over 10 working days. And they've offered compensation for this.

Account closure:

A bank is entitled to close a customer's account, however it must do so in a way which complies with the terms and conditions of their account. Mr K had a basic bank account with Barclays – and the bank is only entitled to close a basic bank account for specific reasons. One of the reasons is that Mr K has a bank account elsewhere. Mr K's representative confirmed that he didn't have another bank account at the time his account with Barclays was closed – and I'm satisfied this is likely to be the case. Based on Barclays' explanation for closing Mr K's account I'm not satisfied they've met the terms and conditions when closing his basic account.

I've considered the impact of the closure on Mr K – and I think it did cause him significant inconvenience – in particular Mr K was required to visit his local branch on numerous occasions to collect his benefits. Because of the immediate closure of his account Mr K was also prevented from having sufficient time to find a new account.

I've thought about Mr K's request to re-open his account – and I understand why he'd like Barclays to do this. However, although I do agree that the bank did act unfairly in closing his basic bank account, a customer is only entitled to a basic bank account if they don't have another bank account elsewhere in the UK. And Mr K's representative has advised me he

now has two other bank accounts.

Withholding of funds:

On the 23 November 2019 Barclays restricted Mr K's access to his account – and they requested proof of entitlement for the funds received. Mr K provided some proof of entitlement however Barclays didn't regard this as sufficient. I've reviewed the proof of entitlement that Mr K provided, and I'm satisfied that Barclays acted fairly in advising him this wasn't enough. I've moved on to consider the bank's actions following this – and I think they could have done more here. Barclays informed Mr K that because the proof of entitlement he'd provided wasn't enough they'd hold on to his funds for 90 days – until the 3 March 2020. But, I can't see any justification for Barclays taking this approach. I accept that Barclays were concerned about Mr K's entitlement to the funds – however I think the bank should have advised Mr K that he could provide more proof of his entitlement to the funds, and if he did so his funds would be released prior to the end of the 90 days. But this didn't happen. Barclays have argued that they held on to the funds for 90 days because they couldn't be sure that Mr K was entitled to the funds, and they may receive further claims. However, the bank hadn't received any claims on the funds prior to this point – therefore I don't think it's fair that Barclays refused to review any further proof of entitlement that Mr K might be able to provide.

I've considered the difference this would have made – and I appreciate this will frustrate Mr K however although the bank made an error here, I don't think this impacted on when Mr K's funds were released. I say this because Mr K hasn't been able to provide our service with proof of entitlement which exactly matches the funds paid into his account – therefore I think it's unlikely, if Barclays had asked him for more proof in December 2019, that he would have been able to provide it.

I've moved on to consider the withholding of other funds deposited to Mr K's account after the restriction on the 23 November 2019. On the 3 December 2019 Mr K received a payment of £2,950. Barclays held on to these funds – but didn't ask Mr K for any proof of entitlement. I'd expect them to have done this – and I can't see any justifiable reason for them to hold on to these funds until the 23 March 2020 when most of Mr K's funds were released.

Barclays have accepted that they made an error in failing to release some of Mr K's funds on the 23 March 2020 – these funds were eventually released to Mr K along with compensatory interest for the time they were additionally withheld.

Compensation:

Barclays have already paid Mr K £475 for the errors made. They explained this was for their failures in addressing Mr K's complaint, the length of time of the blocks, the poor service and the delays in releasing the full amount of Mr K's funds.

Our investigator recommended an additional £100, and I've thought about whether this is sufficient. Mr K's basic bank account was unfairly closed without notice and a significant amount of Mr K's funds were withheld without any questions being asked regarding proof of entitlement. I think Mr K's experienced significant inconvenience in particular from having to visit his local branch to collect his funds over an extended period of time and obtaining a new account. It's unlikely this would have been the case if Barclays had asked Mr K for proof of entitlement for all of the funds that were withheld, and the bank hadn't unfairly closed his bank account.

Therefore I think in total Mr K should be compensated an additional £275, making his total compensation £750.

Response to my provisional decision:

Mr K didn't accept my provisional decision. In response Mr K explained how he doesn't think it's fair that Barclays don't have to reopen his bank account – considering they've acted unfairly in closing it. And he thinks the compensation isn't sufficient. I've reconsidered Mr K's points – and I understand he'll be disappointed with my conclusion – but I'm satisfied the recommendations I made in my Provisional Decision were fair and reasonable.

As I previously explained, I've considered whether it would be fair for Barclays to reopen Mr K's bank account, however I don't think it would. I say this as a customer is only entitled to a basic bank account if they don't have access to another account providing banking services. And as both Mr K and his representative have explained Mr K has access to banking facilities – therefore I can't direct Barclays to reopen Mr K's account. Instead I need to consider the impact Barclays' actions caused Mr K. I appreciate he'd like a higher level of compensation, however Mr K's not provided any further evidence or explained why he thinks the compensation isn't reasonable. And, for the reasons I've already outlined I think a total of £750 is fair compensation for the significant inconvenience Mr K experienced.

Putting things right

I think Barclays should pay Mr K an additional £275 in compensation – making a total of £750. And pay 8% interest on the money withheld by the bank between December 2019 and March 2020.

My final decision

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

- Pay Mr K £275 compensation for the inconvenience caused.
- Pay 8% simple interest on £2,975 between the 3 December 2019 and the 23 March 2020.

Any tax lawfully due on the interest may be deducted if needs be, with the bank providing a tax deduction certificate to Mr K so he can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 1 April 2022.

Jeff Burch
Ombudsman