

The complaint

B, a sole trader business, complains that Barclays Bank UK PLC closed its bank account in error.

What happened

Barclays accepts that it made an error in closing the account. It had asked B for information in a know your customer exercise in 2021 and not logged that it had been received. Barclays says it reinstated the account. It offered to pay B £250 to reflect the inconvenience caused. And when the complaint was referred to this service offered a further £100 as it hadn't ordered a replacement bank card.

Our investigator recommended that the complaint be upheld, and B paid further compensation of £150 and an amount of interest to reflect that the original compensation wasn't paid. He said that the account was closed on 13 October 2021 and not fully reinstated including with the previous balance until 4 November 2021. During this time the owner of B had made some eight hours of calls and also attended a branch. B had received letters about missed direct debit payments and these had to be rearranged. B hadn't provided any evidence of direct financial loss such as missed payment fees.

Barclays said it agreed to pay the compensation.

B didn't agree. It said that this didn't reflect the distress and inconvenience involved or the impact on the owner's credit rating. This was all no fault of B. It wanted some £1,500 to £2,000 in compensation to reflect this.

my provisional decision

I issued a provisional decision on 1 September 2022. I set out below what I said.

It isn't in dispute that the closure of the account was in error. And B had no notice of this happening. It contacted Barclays about this on 15 October 2021. On 22 October 2021 it received an email stating that the account had been reinstated that day and that in three working days it would be fully back to normal. It was told that direct debits would be reinstated. On 3 November 2021 a direct debit payment was returned unpaid even though there were funds in the account. On 4 November 2021 the significant previous balance of over £50,000 that had been placed in a sundry account was credited back to B's account. On 8 November 2021 a first successful direct debit payment was made and on 10 November 2021 a cheque was paid. On 16 November 2021 the owner of B tried to credit cash to the account through a third party using his business deposit card. He found that this had been cancelled when the account had been closed and not reordered.

The owner of B explains that a cheque to a supplier was returned unpaid while the account was closed. He received a number of letters about direct debits being cancelled and so not paid. And he was unclear whether they had been correctly reinstated. He had to deal with a tax payment due and was able to avoid a penalty. And he says that the communication he received was poor.

B was able to trade. From 22 October 2021 for example it was receiving account credits for the card payments it had processed. But I wasn't persuaded it could access its money until 4 November 2021, the day after a direct debit payment had been returned for no apparent reason. And that's when it had received all its funds back in the account. B explains that its new cheque book now starts from cheque number '1' again. I suspected that there is nothing that can be done about that as the account was reopened.

I appreciated that the owner of B was reluctant to contact the businesses B paid direct debits to and expected Barclays to sort this out. Barclays could reinstate the mandates but not ensure that the businesses collected the money or be aware of what they had individually told B. So, I'm afraid it was reasonable to expect B to take action where possible to mitigate the impact and arrange manual payments if it had access to other funds. I appreciated that it was unclear whether the payments would be taken in future or not. B was also cautious about writing cheques as it didn't want any further ones to be returned unpaid. As our investigator has said it made a number of lengthy calls to Barclays during the period.

Unfortunately, while the account could be closed straightaway the reverse wasn't true. Having said that I was unclear why it did take the time it did to reinstate things. Every additional day involved in my view resulted in more inconvenience for B and the owner explains his distress at what happened.

I didn't have evidence of specific financial loss or costs. I said I would base my assessment on the following factors. The need to deal with the direct debits and I understood B had some ten payable a month. The reputational damage caused by a cheque to a supplier being unpaid and so the inconvenience for B to address this. The ongoing inconvenience of not having a bank account and working around this. The calls the owner made to Barclays. The length of time B didn't have access to its money. The deposit card not being reordered. And the distress caused to the owner. I didn't have information about any impact on the credit record and as I said I would have expected B to take action to mitigate this and which I recognised in the elements of inconvenience I referred to above.

I didn't consider all these elements have been fully recognised in the compensation of £500. I said I wouldn't be breaking things down by specific component and I would reach my own judgement about what is fair and reasonable overall taking into account our published guidelines. Having done so I considered that £750 is appropriate. I didn't make any interest award for the original compensation of £250 not being paid in October 2021. Barclays said it wouldn't have been paid because B clearly didn't then accept that as reasonable. I said Barclays should issue a letter to B if requested setting out the error and that payments were cancelled.

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.

Barclays said it accepted my decision and would agree to pay the compensation. It acknowledged the impact for B and that it didn't identify opportunities to mitigate what happened.

B didn't agree and said that what was being offered was an 'absolute disgrace' given the time and stress involved and was only about £10 a week since this happened. There was no mention of the owner driving to and spending time in a branch. He said he was annoyed that he hadn't taken this to a solicitor rather than this service. And Barclays had accepted it had made a mistake. There was no mention of the impact on the credit rating and what's reported. B also didn't see why it was being anonymised and wanted what happened to be

public. B said it didn't think Barclays was concerned other than to get its fees and charges paid.

I'm sorry to hear how the owner of B feels about what's happened. And that the compensation is insufficient. I've set out my reasons in the provisional decision and taken into account our published guidelines about compensation.

I made reference to the position regarding the owner's credit rating in the report. That's not information we have direct access to. And I also said that I didn't have evidence of specific financial loss or costs. I invited any further comments or evidence and I've reviewed what the owner of B has said in a call with our investigator.

Having done so I don't consider there's a reasonable basis to increase the compensation further. We don't make punitive awards and I consider that this is fair overall. I fully appreciate that the owner of B doesn't agree. He is free to pursue this matter in court if he doesn't accept my decision and subject to any relevant time limits. I'll finally mention that we do anonymise all complainant's as part of our process when we publish decisions for data protection.

My final decision

My decision is that I uphold this complaint and I require Barclays Bank UK PLC to:

- 1) Pay B £750
- 2) On B's request provide a suitable letter explaining that the account was closed in error causing payments to be cancelled so it can provide this to its suppliers and clients.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 4 November 2022.

Michael Crewe
Ombudsman