

The complaint

A company, which I will refer to as K, complains about the way Barclays Bank UK Plc carried out a Know Your Customer (KYC) review.

Mr W, who is a director of K, brings this complaint on K's behalf.

What happened

Mr W told us:

- On 24 November 2022, the debit card he had for K's Barclays bank account was declined. When he called Barclays, it explained that because K's KYC details had not been updated the account had been put on hold. It said that if he filled in the relevant forms and sent them to back to the bank, the hold would be lifted.
- At the time, he still had access to K's funds via Barclays' banking app; it was just his card that was not working. If he had realised that he was about to lose access to K's funds entirely, he would have transferred the money away from Barclays.
- The following day, having filled out the forms and sent them back, he called Barclays again. This time he was told K's account had been closed on 16 November 2022, and Barclays was not willing to re-open it.
- He could not operate K without a bank account, but high street banks were quoting weeks for the opening of a new business bank account. He was eventually able to open an account with an online provider, but that provider did not accept cheques – and initially Barclays said that it could only transfer the balance of K's account by cheque.
- After he made a post on social media, Barclays did electronically transfer K's money to its new account.
- December is usually K's busiest time of year, but he was unable to operate the business properly during December 2022 because he did not have access to K's funds.

Barclays told us:

- During 2022 it carried out a KYC review of K's account. As part of that process, it wrote to Mr W asking for information about his business.
- Mr W did not respond to its requests for information, so it sent him a further letter giving him notice that it intended to close K's account.
- When Mr W called on 24 November 2022, Barclays' staff gave him the wrong information about the closure process. At that point it was already too late to prevent

the closure, but Barclays' staff failed to tell Mr W that – and instead they sent him KYC forms.

- K's account was actually closed on 29 November 2022 (not on 16 November 2022), and the proceeds sent by cheque on 7 December 2022. Mr W then explained that his new bank would not accept a cheque, and on 21 December 2022 he provided his new sort code and account number. The funds were in K's new account on 30 December 2022.
- It offered £350 compensation to apologise for the miscommunication on 24 November 2022, and to apologise for the inconvenience caused. It also offered to re-open K's account, but Mr W did not wish to accept that offer.

One of our investigators looked at this complaint, but didn't uphold it in full. Our investigator thought Barclays was entitled to close K's account, but he thought Barclays should pay £550 (rather than £350) to compensate K in respect of the misinformation given on 24 November 2022 and the delays in sending K's funds to its new account.

Barclays accepted our investigator's opinion, but Mr W did not. He said he was baffled as to why Barclays has not been expected to prove that it contacted him to request the KYC information – and in fact it did not contact him by phone, letter or email. He considers that his full losses should be compensated.

Our investigator then asked Barclays for evidence to show that it had contacted Mr W, and I later sent my own requests for information. Briefly, Barclays told us:

- Its KYC letters were sent to K by a third party. It cannot provide copies of the actual letters sent, but it can provide templates together with information about when and where the third party sent the letters.
- In this case, the third party first wrote to K on 8 March 2022. It sent reminders on 26 April 2022 and 17 May 2022, then wrote on 21 June 2022 giving two months' notice that it intended to close K's account if it did not receive the information it had requested.
- All of the letters were sent to address Barclays had on file for K (which is the same as the address Mr W provided on our complaint form).

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.

Having done so, I have reached the same overall conclusions as our investigator. Briefly, my findings are:

- Barclays was entitled to carry out its KYC process, and it didn't do anything wrong in deciding to close K's account.
- Barclays' customer service from 24 November 2022 onwards was poor, but the £550 compensation it has already offered represents fair and reasonable compensation.

I give more details of my findings below.

Banks in the UK are strictly regulated, and must take certain actions in order to meet their legal and regulatory obligations. There are also required to carry out ongoing monitoring of new and existing relationships. That sometimes means – as in this case – that a bank chooses to carry out a KYC review.

In principle, I have no concerns about Barclays' decision to carry out a KYC review of K's account. That means that in order to decide whether Barclays' treated K fairly, I need to consider how that review was carried out.

I think the key issue in this complaint is whether Barclays sent the letters it says it sent. Our investigator thought it had, but Mr W said he didn't receive any of the letters.

I am sorry to further disappoint Mr W, but having considered all the evidence I think it is more likely than not that Barclays did write to K in respect of a KYC review, and that it did give K notice that it intended to close K's account.

Although Barclays cannot provide copies of the actual letters sent by its third party, I am satisfied with the evidence Barclays has provided. It is common for banks like Barclays to use third parties to carry out this sort of exercise, and I do not criticise Barclays for doing so.

I acknowledge that evidence that a letter was sent is not evidence that a letter was received. I am aware that there were several Royal Mail strikes in 2022, and it is possible that one or more of those strikes caused K's letters to be delayed. But I think it is very unlikely that all of the letters went permanently astray, and on balance I think it is much more likely than not that Mr W did receive them.

I also acknowledge that Mr W does not recall receiving any letters about the KYC process, but again that doesn't necessarily imply that the letters were not sent.

Mr W did not provide the information Barclays had requested within two months of its 21 June 2022 Notice To Close letter, so I consider that Barclays was entitled to close K's account.

I accept that by 24 November 2022 Barclays was unable to stop the closure process. However, as it acknowledges, its staff should not have told Mr W that completing KYC forms would allow him to keep K's account open. Barclays' error meant that Mr W completed unnecessary forms, and also prevented him from making decisions about what to do with K's money.

Putting things right

Barclays has already agreed to pay £550 in compensation, and I see no grounds on which I could fairly order it to pay any more than that. I acknowledge that Mr W strongly disagrees, but I consider that a payment of £550 represents a fair and reasonable resolution to this complaint.

It is clear that K's director, Mr W, suffered distress as a result of Barclays' errors. He has provided a detailed explanation of the emotional harm he and his family suffered over the Christmas period, and I accept that Barclays' actions added unnecessary stress to what was already a very difficult time. But the complainant here is the limited company K, and not Mr W as an individual. That means I have no power to make an award for any distress Barclays caused to Mr W, or to anybody else associated with K.

My final decision

My final decision is that I uphold this complaint in part. I order Barclays Bank UK Plc to pay K £550.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 19 October 2023.

Laura Colman
Ombudsman