

The complaint

Mr R complains that Barclays Bank UK PLC incorrectly recorded a fraud marker against him, closed his account and then delayed removing the marker after he contacted it. He'd like Barclays to compensate him for the difficulties this caused.

What happened

I issued my provisional decision on this complaint, upholding it. I invited both parties to let me have any further comment and evidence by the deadline I set. Below is a copy of what I said in my provisional decision.

What happened

Mr R had a mortgage application declined in April 2022. He couldn't understand why. After looking into things, he saw Barclays had recorded an adverse marker against him with a fraud prevention database in 2017.

Mr R contacted Barclays about this, explaining he hadn't perpetrated a fraud, rather he'd been a victim of a scam in 2017. He thought the marker was a mistake and asked Barclays to remove it immediately.

Mr R didn't think Barclays was treating his situation with any urgency. So he escalated the matter as a complaint and contacted our service as well.

Barclays spoke with Mr R on 15 July 2022, agreeing to remove the marker. Mr R says that it also promised to send him a letter confirming the removal. But no letter was forthcoming.

Mr R wanted us to investigate as he didn't think he'd been treated fairly. He highlighted the following points that were important to him:

- The marker shouldn't have been recorded in the first place. He'd been the victim of a scam and the bank should have investigated things thoroughly before deciding to record anything. He'd provided copies of his bank statements for an account he held with another provider. This showed his other bank had made an adjustment on the account. Mr R said this was to reflect there had been fraud/scam against him at the same time.

- He'd made an offer on a house he wanted to buy but lost out due to his mortgage application being declined in April. This was solely down to the marker.

- The marker damaged his reputation and the whole situation had left him feeling anxious and distressed.

Barclays provided information so that we could consider the complaint. In summary, it said it had placed blocks on Mr R's account on 22 April 2017 as it had received notification from a third-party bank, about two credits into his account noting them as fraudulent funds. These funds were utilised immediately.

This activity prompted a review of the account, and the outcome of the review was to issue

Mr R with a notice of immediate closure on 9 May 2017. A letter was sent to Mr R informing him about the closure.

There was a balance of £61.41 on the account before it was closed. However, this wasn't collected. It could transfer this to Mr R if he could provide his bank details.

Information regarding the decision to close the accounts and the reasons behind this were shared on the fraud database. It had recently decided to remove all detrimental markers because it no longer held information to show how the disputed funds were utilised. Therefore, it didn't have evidence to maintain the loadings.

It had written to Mr R on the same day as it had spoken to him, confirming it had decided to remove the marker.

One of our adjudicators looked at the complaint. She upheld it in part. She recommended Barclays return the £64.41 and pay Mr R £50 compensation for the distress and inconvenience caused in having his mortgage application declined.

Mr R didn't think this resolved the complaint. He maintained the marker shouldn't have been recorded in the first place. He said this had cost him financially in 2017 and in 2022. He questioned whether the person recording the marker was part of the scam he'd fallen victim to. He said the bank wouldn't have told him about the money on the account if he hadn't complained. He felt its value five years on was surely more. Overall, he considered Barclays hadn't treated him fairly and should compensate him for the difficulties caused. He asked that his complaint be passed to an ombudsman.

Barclays accepted the adjudicator's recommendation.

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.

Loading on fraud database

As our adjudicator explained, there must be reasonable grounds for a bank to think that a fraud or financial crime has been committed and the evidence must be clear, relevant, and rigorous before it records a fraud marker. Barclays has said why it was concerned about the activity on the account that triggered the blocks – it received a report from another bank about a fraud, which I have also reviewed. This would have definitely triggered a block on the account.

While I can't see Barclays questioned Mr R about the activity at the time, which is good industry practice, I'm also mindful that Barclays doesn't have other information, for example, audit records, which might assist in bottoming out what happened here.

I have considered the information Mr R has provided from his other bank, but I don't consider the account adjustment in isolation to be conclusive of a scam.

With this in mind, it's difficult to answer the question, was Barclays justified in recording the marker. The fact is there will be occasions, particularly with the passage of time where we won't know exactly what happened. Based on this, in my view there isn't a sound basis for requiring Barclays to pay compensation for the initial loading. But in any event, things have moved on since the loading was made - Barclays has removed the markers. So, I don't think there's much to be gained by commenting on this point further, beyond considering the

problems Mr R experienced once he contacted Barclays about this.

Removing the marker

Evidence from Mr R's broker shows that he was declined for a mortgage in early April 2022 and that he contacted Barclays fairly quickly to raise this. The contact notes show Mr R told it that he was applying for a mortgage and had been declined because of the marker. So, from this I'm satisfied Barclays ought to have known Mr R's situation was urgent.

I'm not sure why it took Barclays over three months to deal with the matter and confirm it would be removing the marker. I've not seen anything to show why it couldn't have attended to this sooner – indeed I think it would have known fairly quickly whether it had enough information to maintain the loading. I also think that throughout the duration Mr R would have felt anxious and distressed about the situation. So, it's only right Barclays should do more about this (see below).

I've considered Mr R's comments about this situation having cost him in 2017 as well as 2022. But it's important to stress Mr R wasn't aware of the marker until 2022. So, there wouldn't have been any material impact up to this point. The material distress and inconvenience only arose once Mr R raised the issue and I think a payment of £300 is fair and reasonable in reflecting the distress stemming from the delay.

Barclays told Mr R and us that it had removed all detrimental markers. I can see from its notes that it did take action but as part of this provisional decision and for completeness I would like it to check all the fraud databases it shares information with, so National Hunter, CIFAS and any other. And confirm these are definitely clear as per the information it gave to us about the removal.

Financial loss

I've considered whether there's been any separate financial loss to Mr R, but I haven't seen anything persuasive to support a claim. Mr R's credit file shows that he has a current mortgage and a property. The address we hold for him is also different to the one he first gave us, so I infer from this that he managed to move.

It should be noted that financial providers should also check the accuracy of any fraud marker rather than automatically declining a product.

Letter

Mr R says Barclays agreed to send him a letter confirming it would remove the marker. I don't know if this was intended to be a separate letter, but I can see he was sent a letter on 15 July 2022, the same day Barclays spoke to him. This letter told Mr R that it had removed any detrimental information against him. The letter bears the address Mr R gave us in April 2022 and the information he needed. So I can't find any fault here.

Account closure

A bank is entitled to end its banking relationship with a customer and in some limited circumstances it can do so immediately. Here Barclays decided to close Mr R's account on 9 May 2017. So effectively immediately. I have seen a copy of the notice that was sent to him at the time. There is a potential question here about whether it was entitled to do so immediately or needed to give notice. But I don't think it makes a difference because Mr R held his main bank account elsewhere, so he wasn't left unbanked.

Finally, there is the issue of £64.41 that Barclays says should be paid to Mr R. I've no reason to think it wouldn't have paid this had Mr R presented identification and claimed it in 2017. I note however Mr R refutes this and says Barclays didn't tell him he had funds. I could look into this aspect further, but I don't think it will lead to a different outcome given that the bank is prepared to return the money to him. Though to assist in bringing the complaint to a satisfactory resolution, I would like Barclays to consider rounding this amount up to £100.

My provisional decision

My provisional decision is that I intend to require Barclays Bank UK PLC to pay Mr R £400 to settle this complaint. I also require confirmation of the following in its response to my provisional decision:

For it to check all the fraud databases it shares information with, so National Hunter, CIFAS and any other and let me know that these are clear, as per the information it gave to us about removal of all detrimental markers.

Responses

Both parties responded to say that they accepted my provisional decision and Barclays added that it would check the fraud databases and confirm these were now clear of any detrimental markers against Mr R.

The case was returned to me to finalise.

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.

Given that both parties have accepted my provisional decision, I adopt my provisional decision in full as part of this final decision. I consider Barclays should have acted sooner and as a result, it should compensate Mr R for the distress and inconvenience caused.

I asked Barclays to confirm it had checked all the fraud databases it uses to check these were clear of any entries it had made for Mr R. It did initially indicate it would contact me to confirm. But as of yet, I haven't heard back on that. That said, there's no reason to delay this decision any longer. Because when carrying out the settlement, Barclays should complete these checks and let Mr R know that there are no entries by it.

My final decision

My final decision is that Barclays Bank UK PLC should pay Mr R in total the amount of £400 to settle this complaint and check all the fraud databases it shares information with, so National Hunter, CIFAS and any other and let Mr R know that these are clear, as per the information it gave to us about removal of all detrimental markers. Should any entries remain, Barclays should clear these.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 July 2023.

Sarita Taylor
Ombudsman