

The complaint

A charity I'll call L complains that Barclays Bank UK PLC (Barclays) closed its account in error, leading to the loss of sales.

L is represented by Ms M.

What happened

Barclays undertook a Know Your Customer (KYC) review of L's account in 2022. When it completed the review, it closed L's account and sent L a cheque for the account balance. Ms M complained, and Barclays reinstated the account, agreeing it had been closed in error. But Ms M said the charity had lost out on the sale of 60 items as a result of the closure. She said she wasn't able to advertise without confidence in Barclays, and that the items would have sold for a total of £3,000.

Barclays upheld L's complaint and offered to pay £100 in recognition of the inconvenience it had caused L. But it said it wouldn't refund L's claimed loss of profits, so Ms M brought L's complaint to our service.

Our investigator looked at L's complaint and agreed Barclays should pay compensation. She felt Barclays' offer of £100 for inconvenience was fair, but she said Barclays should pay L interest on the account balance for the period L was deprived of its funds (being 26 January 2023 to 11 March 2023). And she didn't think Ms M had demonstrated L had suffered a loss of £3,000 as a result of Barclays' actions. She noted L had an alternative account setup to receive payments for sales, so she wasn't persuaded L couldn't sell the items. And she felt L could have opened another account elsewhere.

Ms M didn't agree. She said she didn't feel comfortable selling the items with the ongoing uncertainty surrounding L's account, and she was concerned about the audit trail for tax purposes given there was the prospect of sale proceeds not going to the charity's bank account. She didn't believe opening another account was a viable option because that would have necessitated changes to L's website, which would have come at a considerable cost.

Because no agreement could be reached, the case came to me to issue a final decision.

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 accepts it caused confusion, and that L should be compensated, so the issue for me to address is the level of compensation.

I asked Ms M to provide evidence to support her claim that L would have sold 60 items, to show whether L had made the sales since Barclays reopened L's account, and to demonstrate any steps Ms M took to mitigate L's losses.

Ms M said she can prove L ordered and received the 60 items in question, but couldn't

demonstrate L would have sold all 60. She said the prospective purchasers were closed until October 2023, so no sales could be made before then. And that L wasn't able to mitigate its losses by holding alternative events, because the COVID pandemic had restricted L's ability to do so.

I recognise that Barclays' actions caused Ms M some confusion, and I'm pleased to see it awarded compensation to recognise the trouble it caused L. And because Barclays accepted it closed L's account in error, I agree L should be compensated for the period it was deprived of those funds (i.e. between 26 January 2023 and 11 March 2023). To that end, I'm satisfied that interest at the rate of 8% represents fair compensation for that loss.

However, I'm sorry to say that I agree with what our investigator said with regard to L's loss of profits claim. And I take the view that L could have mitigated its losses by continuing to sell the items, then transferring the proceeds to L's bank account when the issue was sorted.

While I understand and respect Ms M's cautious approach, I haven't seen any evidence to persuade me that receiving funds into the holding account would have caused L any accounting problems, as the funds would have followed the same path regardless of Barclays' actions. The only difference is that any sale funds would have sat in the initial receiving account for longer.

Further, while L has suggested all 60 items would have been sold, I haven't seen sufficient evidence to demonstrate that would have been the case. And of course L can still sell the items at a later date, which would mean it didn't suffer the loss it has claimed.

I'm grateful to Ms M for her time and submissions, and I hope she can be satisfied with the outcome, despite that I haven't made the award she wanted.

My final decision

For the reasons I've set out above, my final decision is that Barclays Bank UK PLC must pay L:

1. £100; and
2. Simple interest on L's account balance of £4,536.12 at a rate of 8% from 26 January 2023 to 11 March 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 25 August 2023.

Alex Brooke-Smith
Ombudsman