

The complaint

A partnership, which I will refer to as L, complains that Barclays Bank UK Plc wrongly closed its business account.

What happened

Barclays told us:

- It carried out a Know Your Customer (KYC) review of L's account. It wrote to L in September 2021 to ask for information, then warned L's partners that if they didn't respond it would close L's account. L's partners still didn't respond, so it closed L's account in August 2022.
- It later realised that the address its KYC team had been using for L was incorrect. L's partners had instructed Barclays to change L's address in June 2020, but there was a system fault at that time and a Barclays staff member had only temporarily changed the address. That had allowed Barclays to issue a plastic card to one of the partners, but the address on its system later reverted to L's old address. It now has the correct address on its system.
- It accepted that it made a mistake in closing L's accounts, and it offered £300 in compensation. It also re-opened L's accounts, enabling L's partners to access the funds they held.

L's partners told us:

- Barclays' offer of £300 is nowhere near sufficient to cover the phone calls, stress, and time they've had to spend putting things right. They consider it should pay at least £1,500.
- Barclays' error caused substantial administrative work. For example, they had to manually amend all the invoices they had sent to their clients and provide them with new payment details, and this took six weeks.
- They were also unable to manage their business properly. Three of their clients said they'd paid money into the closed account (totalling around £900), but they had no way of checking whether that was the case – and so they were unable to chase their clients.
- They suspect Barclays closed their account because it doesn't make enough money from their business.

One of our investigators looked at L's complaint. Briefly, she said:

- Barclays was wrong to close L's account, but overall she thought its offer to pay £300 in compensation was fair.

- She didn't think Barclays' error caused L to suffer a financial loss. The account contained less than £150 at the time, so she didn't think L would have been able to use that money to pay for rent, insurance and the other costs mentioned even if the account had remained opened.
- In addition, one of the partners had another account which she was temporarily using for L. The partner could have used that other account to receive the partnership's income and cover its costs.
- Barclays' error caused L's partners to suffer distress and inconvenience, but she thought £300 represented fair compensation for that issue.

Barclays accepted our investigator's opinion, but L's partners did not. They said that although they are now aware that the account contained less than £150, they didn't know that at the time. They didn't know that their clients hadn't paid fees, so they were unable to chase. Even as late as January 2023 they still hadn't had a full statement for the account, so they couldn't use that statement as proof the clients hadn't paid.

L's partners have since decided to close their business and their Barclays bank account.

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.

The partners have said that they hope I will open a wider investigation into the way Barclays treats customers like L. I have not done that, because I have no power to carry out such an investigation. I am an ombudsman, not a regulator, and I only have the legal power to investigate complaints that have been referred to me.

Looking solely at L's complaint, I acknowledge that L's partners suspect Barclays decided to close their account because it isn't sufficiently profitable for Barclays. However, I think that is unlikely. Barclays, along with all other banks, is strictly regulated and is required to take certain actions in order to meet its legal and regulatory obligations. It is 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.

Barclays' KYC obligations apply to all of its customers, regardless of how profitable that customer is. I think Barclays' explanation for the closure – that it made a mistake and simply failed to update L's address, then acted on L's apparent failure to respond – is much more likely to be what happened.

Everyone agrees that Barclays should not have closed L's account when it did, so the only issue left for me to decide is the appropriate level of compensation.

Putting things right

I'm sorry to further disappoint L's partners, but I agree with our investigator that £300 does represent fair and reasonable compensation in this case.

The account was closed in August 2022 then reopened approximately four months later. The partners did not have access to the money in the account over the whole of that period, but given that the account only contained a relatively small sum I don't agree that they were prevented from paying their rent and other bills as a result.

It is very unfortunate that L's clients said they'd paid money into the closed Barclays account when in fact they had not done so, but I don't think Barclays was the cause of any financial losses L may suffer in that respect. The status of L's Barclays account does not affect whether L's clients owe money to L.

Barclays has said that if the partners had asked it whether any payments had gone into their account, it would have told them that payments cannot go into closed accounts. I accept Barclays' evidence on that point, and so I don't hold Barclays' responsible for the partners not chasing their own clients.

I'm also mindful that L's partners were able to mitigate their losses by using an alternative bank account in the name of just one of the partners. I entirely accept that using that account was inconvenient, and that it meant the other partner had little visibility of L's finances, but it did mean that Barclays' error did not prevent L from trading.

However, it's clear that Barclays' actions caused L's partners to suffer both distress and inconvenience. They have provided detailed submissions about the impact of Barclays' error on their lives.

I've carefully considered what the partners have said. In my view, the partners had to make a reasonable effort over several weeks in order to sort out the consequences of Barclays' mistake. I know the partners consider that an award of £1,500 would be appropriate, but taking into account the awards we've made in similar cases, and applying my own judgement, my opinion is that an award of £300 is fair.

I understand the partners of L may no longer have an account in L's name. If that is the case, and if they do not have any other account in joint names, then they may choose to ask Barclays to make a single £300 payment to just one of them (rather than to L or to both of them in joint names). If they both ask Barclays to make the payment in just one single name, Barclays should honour that request.

My final decision

My final decision is that Barclays Bank UK Plc should pay L £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 21 August 2023.

Laura Colman
Ombudsman