

The complaint

Mrs R has complained that Barclays Bank UK PLC registered fraud markers against her when she was the victim of fraud.

What happened

In 2017, a fraudster opened accounts in Mrs R's name with various businesses, including Barclays. Mrs R reported the matter through a credit reference agency. The other businesses agreed to close the accounts and remove them from Mrs R's credit file, but Barclays declined to do so and required Mrs R to resolve things with it separately.

After a delay, Barclays apologised for the time taken and confirmed it had closed the account. It said it would cleanse Mrs R's credit file entry and log a protective marker for her on the national fraud database. However, instead of registering Mrs R as a victim of fraud, it registered her as a perpetrator of fraud.

Mrs R discovered this in 2022. Since 2021, she'd been trying to open savings accounts for a large amount of savings which had come in. But she'd been repeatedly declined, or the accounts had been opened then been closed against her wishes shortly after. Mrs R's own bank (which I'll refer to as S) also closed her existing accounts and withheld her savings in a holding account in view of Barclays' fraud markers. Mrs R was unable to carry out her normal banking.

Mrs R raised the matter with Barclays, but it made further errors, such as failing to identify or remove the markers when it said it had, sending correspondence to the wrong place, and losing Mrs R's complaint. Barclays apologised and paid Mrs R £350 compensation.

Our adjudicator looked into things independently and thought £500 would be fairer. Mrs R didn't think that fully accounted for the impact this had had on her. She asked for an ombudsman to look at things afresh, so the complaint's been passed to me to decide.

I sent Mrs R and Barclays a provisional decision on 31 August 2023, to explain why I thought the complaint should be upheld. In that decision, I said:

Based on what I've seen so far, I plan to increase the redress here – I'll explain why.

From what I can see, Barclays mishandled things in quite a number of ways. For example, where the other businesses involved dealt with Mrs R's fraud report straight away, Barclays declined to work with her credit reference agency at first and delayed things.

Most seriously of all, instead of marking Mrs R as a victim of fraud, Barclays marked her as a perpetrator. In some of its submissions, Barclays has maintained that the CIFAS marker was protective from the start. But CIFAS's records confirm that Barclays actually registered a misuse of facility marker against Mrs R. This was a grave error by Barclays.

Even once Mrs R told Barclays things had gone wrong, it continued to get things wrong. From what I've seen, Barclays gave Mrs R conflicting information, passed her between departments, sent correspondence to the wrong contact details, lost the record of her complaint, and failed to contact Mrs R when it should have. It failed to remove its erroneous markers for some time, as it seems it didn't realise at first that it had logged two, it mistook one as being a protective marker, and it thought it had removed one when it had not.

In terms of putting things right, I'll first consider the likely financial losses that the markers caused. Mrs R has confirmed that she didn't need any credit while the markers were in place. But I can see that she was unable to open savings accounts or current accounts with better interest rates – or if they were opened, they were closed shortly after. The accounts in question should not have been difficult to open, and I cannot see anything on Mrs R's credit file which should have prevented her from being granted them. As far as I can see, the only negative information on her file was Barclays' fraud markers. The way she was turned down – e.g. due to "compliance obligations", or by having the accounts opened and then closed on further review – is consistent with them being closed due to these fraud markers. And as soon as the markers were removed, Mrs R was able to open her desired accounts – many being the same products she was turned down for when the markers were still on file. I find it's most likely that Barclays' fraud markers directly caused Mrs R to be unable to open the new accounts. And Mrs R has shown that in the meantime, she had to keep her savings in current accounts which did not pay interest, and a low-interest regular savings account with only limited monthly deposits allowed.

When a business' error has caused financial losses, we generally tell it to put the consumer in the financial position they would've been in had the error not happened. It's difficult to do that in this case, as it's not possible to know for certain exactly how things would've looked had the fraud markers never existed and had Mrs R been able to open her accounts in 2021. For example, I can't know for certain exactly how much Mrs R would've put into each account or spent had things gone differently.

But I can see that from January 2023, following the fraud markers' removal, Mrs R was then able to open accounts of the type she'd been trying to get since March 2021. And she did indeed start keeping her savings there. So to account for the likely loss, I think Barclays should pay interest on the credit balances of Mrs R's bank accounts during the period between when she started applying for new accounts (March 2021) and the first point she was able to open those accounts (January 2023). I will attach Mrs R's bank statements to Barclays' copy of the provisional decision. For the interest rates, I've looked up the historic rates via Moneyfacts for the savings accounts Mrs R was applying for, and taken an average for each month. That seems like the fairest rate to use here. I have set out a table in a section below.

I do note that Mrs R also kept significant sums in her current accounts, even after she was able to open new savings accounts. So Barclays may argue that it shouldn't have to pay interest on the whole credit balances. But on the other hand, Mrs R also applied for new current accounts which paid interest on the first portion of her credit balances, so it should all roughly balance out. Again, it's not possible to know for certain what Mrs R's exact financial losses were – so we just have to estimate things in a reasonable fashion. Of course, Barclays is welcome to reply to this provisional decision with representations about the proposed redress. But if it does so, it will need to provide other pragmatic solutions to refunding Mrs R's likely lost interest, detailing its reasons and proposed calculation method.

Turning to the other losses involved, Barclays' errors caused Mrs R to have accounts closed and to struggle opening new ones. It's been established that S closed Mrs R's accounts due to finding Barclays' fraud markers. When her current accounts were closed, Mrs R had direct debits go unpaid, she had to go to branch to pay bills manually, she couldn't do bank transfers, and she couldn't access her pension or savings.

Of course, S is a separate business to Barclays, which is capable of making its own decisions. So I can't hold Barclays wholly responsible for S's own actions. We've considered a separate case against S for its actions here and made awards for its part in the matter. But I do find that Barclays' errors were a key cause in things going wrong with S, and Barclays also bears much responsibility. I also need to bear in mind that I'm not here to issue fines or to punish businesses, but to resolve complaints informally.

Mrs R was embarrassed at being recorded as having committed fraud, feeling her character had been defamed. And she's had to go to a lot of effort to sort things out, over a significant time frame. This was compounded by Barclays' further errors when it was supposed to be fixing what it had already got wrong, which only added to Mrs R's stress in an already very stressful time. I find that Barclays caused Mrs R substantial distress and upset over a lengthy period, and contributed to some notable disruption of her day-to-day life. Taking everything into account, I currently think Barclays should pay Mrs R £900 compensation in total for the trouble and upset it caused.

I said I'd consider anything else anyone wanted to give me – so long as I received it by 28 September 2023. Barclays didn't add anything further. Mrs R made some further submissions, which I'll talk about below.

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.

Mrs R thanked us for the provisional decision and submitted more detailed statements, along with her own calculations of what she thought the lost interest would come to.

I'm grateful to Mrs R for putting in such effort to help. I will pass on her more detailed bank statements to Barclays. I'm afraid there are a number of issues with her calculations which mean they're not right. For example, they were based on opening statement balances rather than average credit balances, some figures were taken from the wrong month (e.g. a statement dated 2nd December covers transactions predominantly from the previous November rather than the December), it doesn't look like the calculation compounds the interest in the proper way, and so on. Mrs R also kindly included tax calculations, but she doesn't need to give that to us or Barclays – that's between her and HMRC.

I hope I can reassure Mrs R that she doesn't need to do all this work herself. These are quite complex and involved calculations, so we would not expect the individual complainant to do them. Instead, we expect Barclays to do the work: it's a business with the resources and expertise to do so, and it's the one that needs to put things right here.

Mrs R asked for a letter of apology from Barclays, and I understand why she thought to ask for this. The problem is that if I were to tell Barclays to apologise, its apology would seem forced rather than genuine – it would be saying sorry because I told it to. Further, I can see that Barclays apologised a number of times in its previous contact with Mrs R, and that clearly has not repaired its relationship with her. So I don't think another apology is likely to help. Instead, the compensation I've awarded is there to recognise what Barclays got wrong and the impact it had.

Similarly, Mrs R asked for a letter detailing why Barclays added a marker. But I don't think that's necessary. It's right that Barclays keeps certain internal security processes private, and we're here to resolve mistakes rather than to spark debates about why they happened. To be clear, I directed Barclays to remove any residual markers just to be on the safe side, given the initial issues it had in removing the erroneous markers.

Lastly, Mrs R said Barclays had already paid her £350 compensation, meaning there was £550 left to pay to bring the total non-financial redress to £900. She is correct.

Otherwise, neither side sent me any new evidence or arguments which would change the outcome of the case. So having reconsidered the matter, I've come to the same conclusions as before, for the reasons set out above.

Putting things right

I direct Barclays Bank UK PLC to:

- pay compound interest on Mrs R's credit balances for the period of March 2021 to January 2023 inclusive, calculated monthly, using the rates in the table below, less any interest Mrs R received during that period;
- remove any negative information recorded against Mrs R in relation to this matter, including any internal markers, if any remains, and confirm when this is done; and-
- pay Mrs R £900 compensation in total for the trouble and upset it caused.

Interest rate table

<u>Month</u>	<u>Average Rate (gross annual)</u>	<u>Month</u>	<u>Average Rate (gross annual)</u>
March 2021	0.40%	March 2022	0.69%

April 2021	0.38%	April 2022	0.79%
May 2021	0.41%	May 2022	0.94%
June 2021	0.41%	June 2022	1.08%
July 2021	0.43%	July 2022	1.15%
August 2021	0.51%	August 2022	1.30%
September 2021	0.58%	September 2022	1.63%
October 2021	0.60%	October 2022	1.82%
November 2021	0.64%	November 2022	2.22%
December 2021	0.66%	December 2022	2.38%
January 2022	0.66%	January 2023	2.33%
February 2022	0.64%		

My final decision

For the reasons I've explained, I uphold Mrs R's complaint, and direct Barclays Bank UK PLC to put things right in the way I set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 1 November 2023.

Adam Charles
Ombudsman