

## The complaint

A limited company, which I'll refer to as M, complains that Barclays Bank UK PLC acted unfairly by intermittently withdrawing online banking and threatening to close its bank account without notice. M also complains that the bank returned some direct debits unpaid even though funds were available.

M is in administration, but the administrators have appointed one of M's directors to represent them in bringing this complaint.

## What happened

M had a current account with Barclays. In 2020, it took out a £50,000 Bounce Back Loan ("BBL"). Under the terms of the BBL scheme, M didn't have to make any repayments of capital or interest for the first year.

In September 2021, the BBL went into arrears and in November 2021, Barclays issued a Formal Demand for repayment and transferred the BBL to their Recoveries department.

Also in November 2021, the company entered into a Company Voluntary Arrangement ("CVA"). This is a form of insolvency where the directors of the company retain control and the business continues to trade, but an agreement is made with creditors over the repayment of debts.

Over the next six months following November 2021, M says its online banking access disappeared on at least four occasions, but was reinstated following a conversation with Recoveries.

In April 2022, M wrote to Barclays. It asked for three months' notice to arrange banking elsewhere if the bank no longer wanted its account. Barclays didn't reply. M chased again in June 2022 and again received no response.

In June 2022, M asked its MP to write a complaint on its behalf to Barclays. The bank replied that it had passed the BBL to a debt collection agency as it had not been repaid following a Formal Demand. Barclays' letter said that "with regard to business' other accounts with us, they can continue to use them as normal".

In July 2022, M was informed that Barclays would close M's current account "in due course", but would not give them three months' notice. Barclays also said that M's online banking access would keep being removed and advised M to seek "new banking facilities as a matter of urgency to try and ensure the company has a smoother and less interrupted banking process".

M referred its complaint to the Financial Ombudsman, asking for the threat to close its account to be withdrawn and to be given unrestricted access to its account.

One of our investigators looked into what had happened, but didn't think Barclays had done anything wrong. She said this was because the CVA was an event of default under the BBL

agreement and also permitted the bank to close or restrict M's current account.

M disagreed and asked for an ombudsman to look at the matter again. M said that Barclays had returned direct debits on its account unpaid, when there were ample funds in the account. This had led to the company being fined by its pension provider and letters being sent to all staff saying it had failed to make pension payments. M also said that its insurer had refused a renewal and its fire and theft insurance premium had doubled.

In May 2023, Barclays closed M's current account.

Also in May 2023, M's CVA was terminated prematurely because M hadn't complied with its terms. In July 2023, M went into administration. The administrators confirmed that one of the directors could represent them in referring the complaint to the Financial Ombudsman.

I issued a provisional decision upholding the complaint on 27 September 2023. I said, in summary:

- The terms and conditions governing the operation of M's current account gave Barclays the right to close the account if M entered into an insolvency process or a voluntary agreement with creditors.
- However, in this case, Barclays chose not to exercise this right and didn't close the account immediately. After transferring M's account to their Recoveries Department, Barclays then let the account operate fairly normally for several months, with the exception of the fact that they kept withdrawing internet banking without notice.
- My starting point was to decide whether Barclays, having made the decision not to close the account, acted reasonably thereafter. I was minded to think that they did not.
- In March or April 2022, I thought a telephone conversation must have taken place, in which Barclays indicated they were intending to close the account. I said this because I'd seen a letter written by M asking for three months' notice if the bank decided to close the account. I didn't think M would have made this request unless closure had been mentioned by Barclays.
- I hadn't seen any reply to this request until July 2022, which in itself seemed to me to be an error on Barclays' part. I also noted that, in the meantime, Barclays told M's MP that M's account could operate as normal, which was untrue. So I considered that Barclays were communicating very poorly on a matter of considerable importance to M.
- In July 2022, some three months after M had asked for notice to close, Barclays declined to give any notice and informed M that they would close the account "in due course".
- I thought Principle 6 from the Financial Conduct Authority's Principles for Businesses was relevant. This says that "A firm must pay due regard to the interests of its customers and treat them fairly". My provisional position was that Barclays were not paying due regard to the interests of M when they confirmed their intention to close the account, but refused to give any notice. I also didn't think it was fair to make life difficult for M by withdrawing internet banking intermittently.

- The bank wasn't in my view exposed to any additional risk by keeping the account open. There was no overdraft facility, it was receiving regular credits and the CVA didn't necessitate any restrictions on the operation of the bank account.
- I also considered that agreeing to M's request for notice to close would not have damaged the bank's position unreasonably, especially as they could have reserved their rights to close the account without notice if the risk to the bank changed. My current conclusion was that the position Barclays chose to take did not constitute treating their customer fairly.
- I had considered whether M attempted to mitigate its loss, given Barclays' message that they no longer wanted M's banking. But M had shown me that it was attempting to find alternative bankers – something that was not easy, given the CVA. So I thought M did take reasonable actions to reduce its risk.
- By the time the account was finally closed, without further notice, in May 2023, M's CVA had failed. It would have been apparent that a further, more severe, insolvency was likely to follow. I didn't think it was unreasonable for the bank to close M's account at that point. I also understood that by then, M had by then managed to secure a new current account, so it would have been apparent that activity through the account, and credits into it, had slowed.
- I also looked into the returned items on the account and I could see that, on several occasions, direct debits were returned when there were funds available to cover them. Barclays had offered no explanation for these returns.
- M had shown me evidence of a direct financial impact as a result of one of the returned direct debits – a £400 fine imposed by their staff pension provider in May 2022. I was minded to think that Barclays should compensate M for the fine.
- M had also shown me examples of the letter the pension company wrote to all its staff saying M had been reported to the pension regulator. M said that this caused them to lose a member of staff. I hadn't seen evidence of when the member of staff left and I couldn't say for sure that it was the pension letter that caused it. Given that the company was clearly in financial difficulty, I thought it likely that there were other factors involved. I therefore didn't think I could fairly award any compensation for the loss of the member of staff. However, I didn't doubt that the letters to staff caused inconvenience, as some time and effort would have been required to reassure employees.
- M had also said that it was refused insurance and had another premium doubled – and was forced to pay in full up front - as a result of a returned insurance direct debit. It had provided a letter from its insurance broker in support of this. I thought it was difficult to prove a direct link between the returned direct debit and the premium rise. Insurance premiums rise for many reasons. If, as M's broker said, the insurer would have carried out credit checks, those checks might well have shown adverse information, including the existence of the CVA, which could have changed the insurer's view of the risk. So my provisional intention was not to award compensation for the increased insurance premium.
- I thought it very likely that the apparently inconsistent nature of Barclays' actions caused the directors of M some distress. But I didn't have any power to

award compensation for distress suffered by directors. Neither could limited companies themselves be distressed.

- I was currently minded to make an inconvenience award of £1000. I considered that both the intermittent withdrawal of internet banking and the returned items would have caused a significant amount of additional work for the directors and/or some employees of M.
- My current intention was to direct Barclays to compensate M for the £400 pension fine and add interest to this from the date of payment until the date of settlement at 8% per annum. I thought the bank should also refund any charges levied for returned items when the account was in credit.

Mr B responded to my provisional decision to say he felt it was an accurate and fair reflection of events. He thought that all the problems stemmed from a lack of experience, skill or resources from the Recoveries team with which M dealt. He provided some further evidence in this regard.

Barclays responded to say they would accept the decision and commented that they would need M's new account details and evidence showing the date of the payment of the pension fine so they could calculate interest from that date.

### **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, and in the absence of any new arguments from the bank or M, I haven't changed my provisional view of this complaint.

I have read Mr B's comments and evidence regarding the actions and capabilities of the specific Recoveries team at Barclays. But it isn't my role to apportion blame within the bank but rather to decide if errors have occurred and if so, award fair compensation to put them right. For this reason, I don't think his comments change my conclusions regarding this complaint.

My conclusions remain that Barclays did not treat their customer fairly by saying they would close M's current account, but refusing to give a date or any notice. I also think Barclays acted unfairly in returning direct debits unpaid when there were funds available to meet them and by repeatedly withdrawing internet banking without notice or explanation.

### **Putting things right**

As I said in my provisional decision, I consider Barclays should compensate M for the £400 pension fine, which stemmed from a returned direct debit to M's staff pension provider. I've seen evidence that this was paid on 12 May 2022. The bank should add interest to this amount from 12 May 2022 until the date of settlement at 8% simple per year.

In my provisional decision, I also said I thought the bank should refund any charges levied for returned items when the account was in credit. Barclays have informed me that no such charges were levied and I haven't seen any evidence to the contrary. Nonetheless, if M has evidence from bank statements of any such charges, it should provide this to Barclays and Barclays should then refund any such amounts, should they exist.

I am also awarding compensation of £1000 for the inconvenience caused to M by Barclays' actions. This is a significant award for inconvenience, but I consider the arbitrary withdrawal of internet banking and the returned items would have caused material additional work for M, which would have taken its employees or directors away from other work.

The directors of M had to make several visits to their nearest Barclays' branch (which wasn't very near) and there would have been administrative work related to the returned items, as well as reassuring their staff about their pensions. The directors also spent considerable time on the phone persuading the bank to reinstate internet banking on multiple occasions. I have taken into consideration that the company was under financial pressure at this time so this would all have been an unwelcome distraction.

### **My final decision**

I uphold this complaint and direct Barclays Bank UK PLC to pay compensation as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 7 December 2023.

Louise Bardell

**Ombudsman**