

The complaint

F complains that Barclays Bank UK PLC unfairly withdrew its overdraft facility and later closed its accounts.

What happened

F had a business current account with associated overdraft of £20,000. During 2021 and 2022 F's business account balance was in an unauthorised overdraft position. At the beginning of 2022, Barclays took the decision to withdraw the overdraft facility after it was unable to speak with F's director (Mr T) about the position of the account. In the months that followed, Mr T spoke with Barclays on various occasions and explained he wanted it to reinstate the account and overdraft facility. But Barclays said it could only offer a payment arrangement to reduce the outstanding balance of the account. Payments were made into the account to bring the balance below the original overdraft limit but Barclays didn't agree to reinstate it.

Barclays issued a Formal Demand letter on 1 September 2022. The Formal Demand said F needed to make an immediate payment of £20,706.61 to clear the overdraft balance.

On 12 September 2022 Mr T spoke with an agent at Barclays and agreed a temporary overdraft arrangement that meant the limit would reduce by £500 a month. Mr T made a payment to reduce the balance, but on 20 October 2022 Barclays wrote to F to advise the payment arrangement had failed. The account was then passed to Barclays' Recoveries team to collect.

Mr T raised a complaint on F's behalf and it was passed to a case handler. On 8 February 2023 Barclays issued a final response that said the agent who had set up the payment plan had failed to factor in account regular commissions and charges that would be applied against the outstanding balance. As a result, whilst a payment into the business account was made, the balance was still £343 over the agreed overdraft limit. Barclays apologised for the agent's error and said it had taken the decision to reinstate the account which could take up to eight weeks. Barclays paid F £200 for the inconvenience caused.

On 9 February 2023 Barclays issued a follow up final response to F. The same case handler confirmed they'd made a mistake on 8 February 2023 when they agreed to reinstate the account and overdraft facility. The case handler explained that senior management hadn't approved the request to reinstate the account and had taken the decision to end its banking relationship with F. Barclays paid F a further £200 to apologise for the inconvenience caused by its error.

Mr T continued to correspond with Barclays and it issued further final responses to F's complaint but ultimately didn't agree to reinstate the account and associated overdraft. Mr T also raised concerns that Barclays had taken the decision to close an account that it claims belonged to F. Mr T says the account in question was opened on one of F's customer's behalf and used to deposit and hold their funds. But Mr T says the account shouldn't have been linked to F's business account.

Barclays issued another final response on 24 March 2023 and said the associated account was opened in 2011 as a secondary business account for F. Barclays said it had written to F's directors to confirm the account was opened at the time. Barclays said there was no record of the account belonging to a third party or that anyone at F had advised it had been opened in the wrong name. Barclays didn't agree it had made a mistake and didn't uphold F's complaint.

Mr T referred F's complaint to this service and it was passed to an investigator. Whilst the investigator agreed Barclays had incorrectly told Mr T the account would be reinstated, they thought it had agreed a fair settlement for the inconvenience caused and didn't ask it to do anything else. On F's behalf, Mr T asked to appeal and said the overdraft facility had been in place for more than five years before Barclays took the decision to withdraw it. Mr T also said that call wait times during the Pandemic meant it wasn't possible to speak with Barclays about the position of the account. Mr T added that the position of F's account had been impacted by Barclays' decision to withdraw relationship managers. Mr T also reiterated that the second account shouldn't have been directly linked to F's account as it was set up to hold customer money.

As Mr T asked to appeal F's complaint about Barclays it's been passed to me to make a 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.

As F's complaint relates to two separate accounts, I'm going to look at each in turn. I'll start by looking at the main business current account operated by F with Barclays.

Barclays has provided evidence that it contacted F on various occasions in 2021 and 2022 to request a response in order to discuss the overdraft balance. I've reviewed Barclays' contact notes and can see that when it failed to speak with Mr T, it took the decision to withdraw the overdraft facility. In his response to us, Mr T's explained that Barclays' decision to withdraw dedicated relationship managers had led to a lack of reasonable contact. I appreciate F had previously had access to a specific relationship manager. But Barclays was entitled to remove that role and place F's account management with a team instead. And whilst I don't doubt Mr T found the removal of the dedicated relationship manager to be less convenient, I'm satisfied Barclays had other arrangements in place to administer F's accounts.

The contact notes I've seen show Barclays made a concerted effort to speak with Mr T on F's behalf about the position of its account before it took the decision to withdraw the overdraft facility. I haven't seen anything that leads me to conclude Barclays failed to make reasonable attempts to contact Mr T before limiting the business account and withdrawing the overdraft facility or that it was unavailable for calls.

I can see that whilst there may have been long call wait times, Mr T did speak with Barclays in March 2022 and asked for the account to be reinstated. But Barclays' agents advised Mr T they could only look at doing that on a temporary basis if a repayment plan was agreed. When no agreement to do that was made, the account remained withdrawn. I can see that similar calls took place in April, May and July 2022 during which time Mr T raised a complaint. And I can see that Barclays issued a final response on 12 July 2022 that confirms why it took the decision to withdraw the overdraft facility.

Following the final response, Barclays reviewed its decision again but its systems notes show it wasn't willing to reverse it. Barclays attempted to contact Mr T during August 2022 without success and went on to issue a Formal Demand for the outstanding balance on 1 September 2022. Given the overdraft facility had been withdrawn back at the beginning of 2022 and no payment to clear the balance or agreement to reduce it over time had been made, I'm satisfied it was reasonable for Barclays to take the step of issuing a Formal Demand on 1 September 2022.

Barclays accepts that Mr T spoke with an agent on 12 September 2022 and agreed a temporary payment arrangement to bring the overdraft limit down by £500 a month. But the agent failed to factor commissions and charges applied regularly to the outstanding balance which meant that despite Mr T making the payment he was advised was required, the balance remained £343 above the new overdraft limit in October 2022. And that caused the payment plan Mr T agreed on F's behalf to fail.

I can understand why Mr T is annoyed as it's clear Barclays made a mistake during its call on 12 September 2022. Barclays' final response dated 8 February 2023 confirms how the error came about. But the case handler compounded the original error by agreeing to reinstate F's account without first getting authorisation to do so. As a result, on 9 February 2023 Barclays had to issue a follow up final response apologising and correcting the position.

I agree there were serious mistakes made. But I think it's fair to say that by 9 February 2023 Barclays had identified that the previous plan had been set up in error and that the case handlers offer to reinstate the account couldn't be approved. Barclays also paid T a total of £400 across the final responses to apologise for the inconvenience caused. I'm satisfied that figure fairly reflects the level of inconvenience caused to F by the incorrect information provided by Barclays.

Ultimately, Barclays says it took the decision to review T's account history and holdings and end its banking relationship with it. I appreciate that wasn't welcome news to Mr T, but I'm satisfied Barclays is entitled to end a banking relationship which is a step its business account terms and conditions allow it to take.

Overall, whilst I agree there were errors I haven't been persuaded there are grounds to tell Barclays to reinstate the account and overdraft facility. I'm satisfied Barclays' decision to issue a Formal Demand in September 2022 was reasonable and that it was able to end its banking relationship with F. And I'm satisfied Barclays has paid a fair level of compensation in recognition of the errors it made and inconvenience caused.

Mr T has also explained that a second account which should've been set up outside of F's holdings was incorrectly opened in its name. As a result, when Barclays took the decision to end its banking relationship with F the account and balance it held was frozen. Barclays has recently confirmed that the £819.86 held in the account has been frozen whilst F's accounts were managed by its Recoveries department. Whilst I understand Mr T may have thought the account was meant to be holding funds for clients was set up outside F's holdings, that's not the case. Barclays has supplied copies of the relevant statements for this account. They show account name is noted as being F with a following notation describing the property it concerns. I've not seen anything that shows Barclays failed to clearly show the account in question was in F's name.

I appreciate the intention when opening the account may've been that it was separate to F's holdings. But I think Barclays could reasonably have expected Mr T to contact it on F's behalf if the account wasn't set up as directed. Barclays has pointed out the account has been open since 2011 and that statements have always been issued in F's name since that

time. In my view, it was reasonable for Barclays to place a freeze on the second account on the basis it formed part of F's holdings and contained a credit balance. I haven't been persuaded Barclays acted unfairly or outside the relevant terms and conditions.

I'm very sorry to disappoint Mr T as I can see how strongly he feels in this matter. But as I'm satisfied Barclays acted in line with the relevant account terms and made a reasonable decision to end its banking relationship with F I'm not telling it to take any further action. I leave it to Mr T to discuss arrangements for the outstanding balance with Barclays.

My final decision

My decision is that I don't uphold F's complaint because Barclays Bank UK PLC has already agreed a settlement that is fair and reasonable in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 2 April 2024.

Marco Manente
Ombudsman