

The complaint

A company, which I'll refer to as B, complains about Barclays Bank UK Plc's (Barclays) decision to close its bank account. B says Barclays gave no notice before the closure took place and afterwards, removed funds without authorisation.

In bringing this complaint, B is represented by its director, who I'll refer to as Mr P

What happened

In 2013, B opened a business account (the Account) with Barclays.

On 18 August 2022, Barclays wrote to B requesting information to help them complete their Know Your Customer (KYC) review.

On 8 September 2022 Barclays sent B a reminder that the information was still outstanding.

Mr P has told us that the KYC form that he needed to complete was 26 pages long. So, he decided there was nothing to be gained in doing so. In particular, because the information Barclays were requesting was unduly burdensome and wasn't required by law. And in any case, after 10 years with the bank, Barclays ought to have had sufficient information to determine B's standing as a customer.

On 6 October 2022, Barclays again wrote to B and explained that since they hadn't received the information requested, in two months' time, they intended closing the Account.

But after the notice period expired, Barclays didn't do so. Instead, on 11 May 2023 they reminded B that the information was still outstanding and that restrictions would be put in place if within 30 days of the date of the letter B failed to respond. The bank added:

"We'll also need to let you know if we're planning to close your account".

B did not respond with the information needed. The following month on 1 June 2023, Barclays sent a text message to Mr P requesting the information. In it, Barclays gave B a further warning that the bank would close the Account on 26 June 2023 if the information was not received.

B did not provide the information and, on 10 July 2023 Barclays closed the Account. Later, on 20 July 2023, Barclays sent a cheque for the closing balance to B which Mr P acknowledged he received on 31 July.

Mr P was unhappy about the bank's conduct and so, on behalf of B he complained to Barclays about what he described as the manner of the closure of the Account and the disruption, distress and frustration this caused to B. He said the bank:

- Closed the Account without advance notice. And whilst he acknowledged he received messages from it, nonetheless, he didn't think they explained the bank's closure process.

- Sent him a final statement for the Account which showed a nil balance on 10 July 2023 meaning it removed the balance from the Account without authorisation. In this connection Mr P asked the bank to compensate B for the inconvenience it had caused. He said this was on the basis that from 10 July when the Account was closed to 3 August 2023, when cleared funds were received, B did not have access to its funds.

More broadly, in relation to the KYC procedures, he told Barclays that he didn't believe they satisfied any legal requirement. He said he believed they were in place merely to serve Barclays' internal procedures with no obvious benefit to their customers.

Barclays didn't think they'd done anything wrong. On the substance of B's complaint concerning the closure of the Account they said – in summary that:

- Barclays have a responsibility to protect their customers and help prevent financial crime and the KYC process forms a key part of how they do that.
- They have a legal obligation to remain compliant with the relevant regulations and therefore, without exception, all active non-personal account holders are required to provide the information requested.
- The bank reserves the right to close accounts in accordance with section 5 of the Business Customer Agreement. But Barclays only ever take such action in limited circumstances, and not before they've given sufficient opportunity to customers to engage with their enquiries. As the bank didn't receive the information it required from B, it ended its banking relationship with it.

As B's complaint remained unresolved, Mr P referred it to this service to look into.

Our investigator didn't uphold the complaint. She noted that Barclays took their decision to close the Account after B omitted to provide the information they'd asked for to help complete their KYC process. And she was satisfied that Barclays' letter dated 6 October gave B notice of the bank's intention to take the action it did, if B didn't respond to the request for information. She acknowledged, however, that the Account wasn't closed in December 2022 as might have been anticipated by the 6 October letter. But she said, subsequent correspondence in May and June 2023 including correspondence on 1 June signalled this was still the bank's intention. In light of this, she concluded Barclays didn't do anything wrong.

Regarding Mr B's complaint that the bank had withdrawn the proceeds of the Account without authorisation, here too she didn't think the bank had done anything wrong. She was satisfied that in accordance with the bank's KYC procedures, when the Account was closed, the bank transferred the proceeds to an internal holding account pending their return to B. She was satisfied the bank did so after it received proper instructions from B regarding the manner in which this should be done.

Mr P didn't agree with the investigator's conclusion and asked for an ombudsman to review B's case. Mr P said in summary:

- Not all of the bank's communication was received by him. For example, e-mails that were allegedly sent to B would in all likelihood have gone to an email address for B that was no longer valid. He, however, received four text messages including one on

1 June 2023 requesting information otherwise the Account would close on 26 June. But the Account did not close until 10 July whereas, the bank gave no further notice of its intention to carry out the closure on that date.

- So, at the heart of his complaint against Barclays is their poor communications. And this was further compounded by the removal by them of funds from the Account without authorisation or notice.

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.

Where the evidence is incomplete or inconclusive (as indeed some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

Having, however, reviewed this case, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. I'll explain why.

I start with the KYC process.

I do not agree with Mr P's conclusion that there was no proper basis for the KYC review that Barclays attempted to carry out in connection with the Account. I say this because since they are strictly regulated, banks in the United Kingdom are required to carry out certain actions in order to meet their legal and regulatory obligation. That involves conducting ongoing checks and monitoring of new as well as existing relationships with customers. Barclays chose to do this by way of the KYC review and to that extent, I do not think they did anything wrong when they decided to conduct this review on the Account.

Mr P decided he did not wish to participate in that process for reasons I've already noted. And that is of course a matter for Mr P as director of B. To that extent I agree with him that he wasn't obliged in law to respond with the information Barclays had asked for.

But what that meant, in turn was that Barclays were unable to discharge their regulatory obligation.

Barclays explained they had a right to close B's account in the circumstances of this case, especially in light of clause 5 of the terms and conditions of their agreement with B. I agree.

Clause 5, under the subheading: *"When we can close an account or end a service"* says this:

"We can close an account (and stop providing any services and end this agreement) by giving you at least two months' notice. Any benefit or services linked to your account will stop at the same time".

The bank further explained in that clause that it can also take such action in circumstances where it is put in a position where it might break a law, regulation, code or other duty that applies to the bank if it were to maintain a customer's account.

In light of the above, I wouldn't criticise Barclays for taking the decision they did to terminate their relationship with B by closing the Account

Mr P has explained that he fully expected Barclays to close the Account. But he's explained also that he's aggrieved about the manner in which this was done - especially because he was given no proper notice. So, I've considered the overall circumstances of the closure very carefully.

Notice to close the Account.

The bank's letter dated 6 October said:

"If you don't respond, we'll close your account in two months from the date of this letter. This is in line with our terms and conditions, specifically Section 5 of the Business Customer Agreement".

Later, on 1 June 2023 by text message the bank gave further notice of its intention to close the Account.

Based on the above, I'm satisfied the 6 October letter gave notice of the bank's intention to close the Account although this did not occur within the anticipated period of the notice which would have been December 2022. And I acknowledge that the bank's 11 May 2023 letter stated Barclays would let B know if they intended to close the Account.

But I'm persuaded the bank did so by the text message it sent to Mr P on 1 June 2023. Moreover, Mr P acknowledged he received the text, which stated the Account would close on 26 June.

So, strictly speaking, I don't accept Mr P's argument that B received no notice in advance of the closure of the Account. Whilst I acknowledge Mr P's argument that the Account did not close on 26 June, nonetheless, I do not accept this implies the notice had no effect and the bank was further obliged therefore, to give another one, to the effect that the Account would close on 10 July.

I bear in mind that the purpose behind the notice was explained fully in the 6 October letter – including alerting B that in the event of closure, it would need to:

- make other banking arrangements ; and
- contact anyone making regular payments into its accounts and give them its new bank details.

It's clear from Mr P's testimony that he had no intention of providing the information the bank had asked for. More to the point, he's acknowledged he believed this would lead to the closure of the Account. The text message indicated this would happen on 26 June 2023, whereas this didn't happen for a further two weeks. I am not persuaded, however, that a further notice should have been served giving the 10 July date as the date of closure.

If anything, Mr P had extra time to make the arrangements on behalf of B that he needed to do. I cannot see that B has been disadvantaged in any way by the fact the closure took place later than the bank had indicated.

Unauthorised withdrawal of funds

I can see the statement dated 23 June to 10 July showed the Account balance on 10 July as £0.00. Mr P has described the absence of the closing balance as akin to theft of B's funds. I disagree with that characterisation. In particular, because the funds were not lost nor had they been disposed of by the bank. But I can understand the reason for Mr P concluding

there had been an unauthorised removal of funds from the Account because his permission had not been specifically obtained before the removal.

Barclays explained that after the Account was closed, the balance which stood at £1416.15 was transferred to an internal holding account in accordance with the KYC closure process. And in any case Mr P was told the steps he needed to take to recover the funds.

I have no reason to doubt this was part of Barclays' procedures. I cannot see that they were inherently unfair. The funds were returned to B when the bank received proper payment instructions from Mr P to do so. I've found no persuasive evidence there were any material delay by the bank in doing so which caused B to suffer significant inconvenience.

My final decision

Whilst I'm sorry to disappoint B, for the reasons I've explained above, my final decision is I do not uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 27 May 2024.

Asher Gordon
Ombudsman