

## **The complaint**

A company, which I will refer to as R, complains that Barclays Bank UK Plc wrongly closed its bank accounts.

## **What happened**

One of our investigators looked at this complaint. Briefly, he said:

- Barclays carried out a Know Your Customer (KYC) review of R's accounts, which is something the bank was entitled to do.
- Barclays wrote to R on several occasions asking for the information it needed to complete its KYC review, but R did not respond to those letters.
- The bank then wrote to R on 10 May 2023 giving 60 days' notice that it intended to close R's account unless R updated its business details.
- R's director then got in touch with the bank (having previously ignored the bank's letters). He provided the information the bank asked for about R's trading address, and also explained that one of R's former directors should no longer be a signatory on R's account. Barclays sent R a form to fill in to change the mandate and remove the former director, but R did not return that form. Barclays told us that the reason it closed R's accounts was that it did not receive the completed change in mandate form.
- Our investigator didn't think it was fair for Barclays to have closed R's accounts without giving any further warning. He acknowledged that Barclays had said on 10 May 2023 that it would close R's account in sixty days unless R "updated its business details", but he thought R had done that to some extent – and that Barclays should have reminded R that it still needed further information. He also thought that the fact the bank waited several months beyond the end of the initial notice period given to R would have suggested to R that the accounts were no longer at risk of being closed.
- He thought Barclays should compensate R for the some of the inconvenience caused – but he also thought R could have done more to avoid the inconvenience caused. Overall, he thought a fair outcome to the complaint would be for Barclays to pay R £150.

Neither party accepted our investigator's findings in full. They did not dispute anything he said about what had happened, but Barclays disagreed with his finding that the bank had not acted fairly, and R's director disagreed with his findings about compensation.

Barclays reiterated that it had told R that additional information was needed in order to prevent its account from being closed – and that it had never told R that the notice to close had been rescinded or that the information requirement had been satisfied. The bank also noted that it did give R more time, and that R's account was not closed immediately after the 60 day timeframe had expired.

R's director implied that he thought the level of compensation was insufficient, given that he said "I had two weeks of hell and stress waiting for my company's own funds to be returned, and to this day I am still setting up payments for suppliers and customers".

### **My provisional decision**

I issued a provisional decision on this complaint in July 2024. I said:

"[M]y provisional findings are:

- I agree with our investigator that in the particular circumstances of this complaint, it was not reasonable for Barclays to rely on the 10 May 2023 notice in order to close R's accounts in September 2023.
- However, I don't agree that the £150 compensation our investigator recommended is sufficient. Based on the evidence I have now, I consider that Barclays should pay R interest at 8% simple on the closing balance of R's accounts, calculated from the date of the closure until the date the funds were paid into an account elsewhere. In addition, Barclays should pay R £300 to compensate for the inconvenience that it caused.

I give more details about my findings below.

#### ***Was it fair for Barclays to close R's account(s)?***

Banks in the UK are strictly regulated, and must take certain actions in order to meet their legal and regulatory obligations. They are 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.

In principle, I have no concerns about Barclays' decision to carry out a KYC review of R's banking facilities. That means that in order to decide whether Barclays treated R fairly, I must consider how that review was carried out.

I do not criticise Barclays' behaviour up until it issued its 10 May 2023 notice to close letter. Like our investigator, I am satisfied that the bank had sent a number of correctly addressed letters to R seeking information, and R did not respond to those letters. Barclays was therefore entitled to issue a notice to close, and I think the bank acted fairly when it did so.

However, I am not satisfied that it was fair for Barclays to close R's accounts in September 2023. I note:

- The 10 May 2023 notice to close said that R's account would close in 60 days if R didn't "provide your latest business details". In my view, R's director did provide R's latest business details – he provided the evidence Barclays needed as to R's address, and he told Barclays verbally that he no longer wanted one of R's former directors to be a signatory on R's account. I acknowledge that Barclays wanted its mandate form to be completed (and I further acknowledge that Barclays was entitled to insist on the completion of that form) but I can't see that Barclays ever warned R's director that it would close R's account if he didn't return it.

- I've listened to the call between R's director and Barclays' mandates team. Barclays' staff member told the director that she would create the relevant forms and then email them to him. She said he needed to complete and return the form, and that the once Barclays received the form back again the mandate changes would take about fourteen days – but she did not warn him that the account might close if he did not send the form back.
- The mandate team's email to R's director said "all sections of the form need to be completed as non-completion, incorrect completion / non receipt of documents could result in a delay and the forms being sent back to you to update". Again, the email did not explain that failure to complete the form might result in R's account being closed.
- R's director appears to have believed that the former director had been removed as a signatory to the bank account around fifteen years ago. Barclays said in a phone call that the former director was no longer on the account, but remained as a signatory. Given that the former director appears to have wrongly remained as a signatory for many years without incident, I can understand why R's current director didn't treat the mandate forms as urgent. I can also understand why Barclays wanted the mandate forms to be completed. But I think the bank should have explicitly warned R that its accounts would be closed if the mandate forms were not returned.

I acknowledge that Barclays did not close R's accounts immediately after the expiry of the 60 day notice period, and that Barclays did give R more time. However, I agree with our investigator that in these particular circumstances – given that R's director had provided business information to the bank – R's director is likely to have concluded that the accounts were no longer at risk of being closed.

If Barclays had explicitly told R that the bank was giving it more time to complete the mandate forms, and that failure to complete the forms would result in the closure of R's accounts, it is likely that I would have made different findings. But here, I don't think Barclays was clear about its intentions – and therefore I don't think Barclays acted fairly when it closed R's accounts.

### ***Fair compensation***

My aim is to put R, so far as possible, into the position it would have been in if its accounts had not been closed. I am aware that R now has a bank account elsewhere, and I have assumed that it no longer wishes to bank with Barclays – but if that is not the case I ask R's director to let me know.

I should stress that I only have the legal power to award compensation for losses suffered by Barclays' customer R. I cannot make an award in respect of losses that may have been suffered by people associated with R, such as its director.

Looking firstly at financial loss, I am provisionally satisfied that R was kept out of its money. Based on the limited evidence I have now, I think it would be fair for Barclays to compensate R for the financial loss suffered by paying interest to R at 8% per year simple on the amount of the closing balances. That calculation should cover the period from the date R's accounts were closed up until the date the closing balances were paid to an account elsewhere.

I understand from Barclays that at one stage R's representatives requested £10,000 in compensation, but I have not seen any evidence to demonstrate that Barclays'

error caused R to lose that amount. I will of course consider any further evidence either party may wish to provide on the issue of R's financial losses (or indeed on any other aspect of this complaint), and I may change my findings as a result.

I have gone on to consider the issue of non-financial losses. As a limited company, R is not capable of suffering distress or poor health, but it can suffer inconvenience – and I consider that R clearly suffered inconvenience because its bank account was closed. R's director needed to move R's accounts to another bank, and spent some time setting up payments for suppliers and customers. Barclays did provide some information to help (its final response of 21 September 2023 included a list of payees and standing orders active on the account before it closed), but that did not eliminate the inconvenience R suffered.

We publish guidance on our approach to inconvenience awards on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>. Taking that guidance into account, and applying my own judgement, I consider that a payment of £300 would be fair in respect of R's inconvenience. I think the bank made only one mistake (albeit a significant one). Although R's representatives say R was still suffering from the aftereffects several months later, the majority of the issues were resolved within a couple of weeks. Overall, I consider that the circumstances here suggest an award for inconvenience at the top of our £100 to £300 band.”

Both parties confirmed receipt of my provisional decision. Barclays accepted my findings in full. R's director reiterated that he did respond to Barclays' letters, but he had thought an earlier call purporting to be from the bank was a scam. He explained that he no longer banks with Barclays due to the way he was treated.

### **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, I have come to the same conclusions as I did in my provisional decision, for the same reasons. I now confirm those provisional conclusions as final

### **Putting things right**

To compensate R for the financial loss that it suffered, Barclays should pay R interest at 8% simple on the closing balance of R's accounts, calculated from the date of the closure until the date the funds were paid into an account elsewhere. In addition, Barclays should pay R £300 to compensate for the inconvenience that it caused.

### **My final decision**

My final decision is that I uphold this complaint. I order Barclays Bank UK Plc to pay compensation to R as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 6 September 2024.

Laura Colman  
**Ombudsman**