

## **The complaint**

R complain Barclays Bank Plc, trading as Barclaycard, ("Barclays") hasn't refunded its customers nor paid them directly for four transactions amounting to £20,000. R also complain Barclays closed their merchant acquiring account without explanation and charged them fees without a breakdown being provided.

To put things right, R want the funds returned to them, a breakdown of the fees and charges applied to their account, an explanation for why the account was closed, and compensation for the financial difficulty and inconvenience caused.

## **What happened**

The details of this complaint are well known by both parties, so I won't repeat them again here in detail. Instead, I'll focus on setting out some of the key facts and on giving my reasons for my decision.

In November 2022, R took payments from their customers using Barclays' merchant acquiring services totalling £20,000. There were four separate transactions that R complain about: £4,450, £7,050, £1,500, and £7,000.

On 15 November 2022, Barclays notified R that it had completed a review and that it would be closing their account with immediate effect based on commercial grounds. And that if it holds any money from R, it will be held for 180 days due to the chargeback period.

R say the payments were all refunded to their customers, but they haven't had the funds returned. Barclays received two chargeback claims from the cardholders' respective issuers who had paid R £4,450 and £7,050. Barclays attempted to collect these amounts plus £320 in service charges - so £11,820 in total - using a direct debit authority R would've set-up when opening the account.

R had a business account with an electronic money institution, who I'll now refer to as 'X', with whom the corresponding direct debit was set-up with. As the direct debit authority with it had been cancelled, Barclays raised an indemnity with X who sent it £9,400.86 representing the funds that were available from R's account.

Following its investigations, Barclays successfully defended the £7,050 chargeback but it couldn't defend the £4,050 one. So Barclays deducted this amount plus the £320 service charges from the funds it had received from X. Barclays say it returned the difference back to X in June 2023.

Also in November 2022, X notified R it would be closing their account in 60 days' time and during that time it would be restricted.

Unhappy with what Barclays had done, R complained. Barclays didn't uphold R's complaint. In summary, it made the following key points:

- Before 10 November 2022, R took £20,000 worth of transactions which were settled

to R's business account. Barclays requested X to return funds to protect it from potential chargebacks

- R received two chargeback claims against them, one was defended by Barclays and the other wasn't. Because of this Barclays used the £9,400.86 returned by X to clear R's existing debt with it of £4,770 and returned the remaining £4,630.86
- In total Barclays settled £15,230 to the bank account held on its systems – R's account with X

R referred their complaint to this service. One of our Investigator's looked into R's complaint, and they recommended it not be upheld. I note there have been around three separate outcome responses from our Investigator. To keep things simple, I'll summarise their key findings collectively here:

- The terms and conditions of the account set-out R's liabilities as a customer when a chargeback has been unsuccessful. And by deducting the chargeback that Barclays couldn't defend, along with the applicable charges, from the funds it had returned by X, it applied the terms fairly
- So a total of £15,230 in total from the £20,000 was paid to R
- R say none of the refunds were processed to all four of its customers. But the payment of £4,450 would've been returned to the cardholder by their card issuer. Barclays has processed all the payments correctly
- Barclays applied the fees and charges R are not happy with in line with the terms of the account. The merchant agreement along with the relevant terms were given to R when they opened the account. The statements also show a 1.6% fee was charged as R had processed £20,000 transactions. This amounts to the fee charged of £320
- R had not followed terms of the account by attempting to process refunds to different cards to that which were used to make the payment. Barclays processed the funds to R's account with X except for the successful chargeback claim against them
- The £7,000 refund R specifically say hasn't been returned to them wasn't processed by Barclays in full despite being against the same card that initiated the payment. Barclays have provided its reasons and evidence to support why it did this. Barclays acted fairly in doing so
- Barclays isn't obliged to explain why it closed R's account, and it do so in line with the terms of the account
- All funds R were entitled to were released to its nominated account

R didn't agree with what our Investigator said. Some of the key points they make are:

- They're concerned the proper process for refunds hasn't been followed and there are discrepancies with it. R hasn't received refunds or any credits for the four transactions
- A detailed breakdown of the fees applied should be provided
- Chargebacks were not successfully refunded to the customers and R has evidence of this. Barclays were the bank for one its customers and this has left the customer

out of pocket

- Evidence shows R should have received a £7,000 refund from Barclays, but they haven't
- Barclays should provide an explanation for why it closed R's account with it

As there is no agreement, this complaint has been passed to me to decide.

### **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 decided not to uphold this complaint. I'll explain why.

#### *The four transactions*

The crux of this complaint is that Barclays didn't refund R's customers, nor has it returned the funds totalling £20,000 to R.

Barclays say that some refunds weren't processed as they were to different cards to that which made the payments to R in the first instance. Barclays also say that as R cancelled their direct debit, it couldn't recover funds from its nominated account, with X, to potentially pay chargebacks. Because of this it raised an indemnity to X who were able to return £9,400.86 against the £11,820 it asked for to cover the two chargebacks raised and settle fees which R owed it.

Barclays say it was able to successfully defend the £7,050 chargeback but it couldn't defend the £4,050 one. So Barclays deducted this amount plus the £320 service charges from the funds it had received from X. Barclays say it returned the difference back to X in June 2023.

I'd like to assure both parties that I've very carefully looked into this and considered all the information they've both sent. Having done so, I'm satisfied that Barclays have done what it says it has – and by doing so has acted fairly. This includes the £7,000 refund Barclays didn't process despite it being made to the original cardholder.

I know R would like an explanation as to why this refund which they seemingly processed correctly wasn't carried out by Barclays. But our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for several reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Barclays has provided is information we consider should be kept confidential.

I have however looked at this carefully, and I'm satisfied Barclays is acting in line with its obligations and doing so fairly.

I'd also add that as part of this investigation we asked X to send us statements of R's business account with it. On there I can see R forwarded the £1,500, £4,450, £7,050, and £7,000 into it in November 2022. Most of these funds were quickly disbursed from this account R held with X. But the £7,000 wasn't. But that was likely not something possible given Barclays had raised an indemnity of which X could only provide around £9,400 to it.

Barclays has given me technical information which I'm satisfied shows it sent the chargeback funds of £4,450 to the card issuer who raised the claim. Barclays say it then deducted this amount and the fees R owed it from the £9,400.86 and sent the reminder back

to X. My understanding is this amount which Barclays returned to X was £4,630.86.

I note X closed R's account with it. If R haven't already, they should speak to X about these funds being returned to them. Barclays has provided information, that following its actions as explained above, show the net remaining funds were returned to X.

So overall, I'm satisfied that Barclays have acted in line with its terms of account and done so fairly in the way it has handled and processed the four transactions totalling £20,000. Because of this Barclays does not need to return any funds to R.

### *Fees and charges*

R dispute the fees of £320 have been applied fairly and want a breakdown of why they were charged. Barclays has given me a copy of the relevant terms of the account. It shows R must pay Barclays any charges and fees as set out in the merchant application. And that shows R agreed to pay 1.6% on transactions involving consumer debit cards. 1.6% of £20,000 is £320.

As R are a limited company, I can't treat them as a private individual. That essentially means that any consumer rules and regulations that may be applicable to a private individual aren't so here. I'd also expect it as a limited company to have paid sufficient attention to the terms it was agreeing to.

After weighing this all up, I think Barclays has fairly applied its terms when charging R the £320 transaction fee for debit card payments which used its merchant acquiring systems. After all, it appears R moved these funds to their account with X, after which the direct debit with Barclay appears to have been cancelled.

### *Account closure*

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 an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Barclays is entitled to close an account just as a customer may close an account with it. But before Barclays closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which Barclays and R had to comply with, say that it could close the account by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Having looked at the information given to me by Barclays, I'm satisfied it was entitled to close the account in the way that it has done. I know R would like a detailed explanation and they say it's something they are entitled to. But Barclays is under no obligation to do so. I also think this information should be kept confidential.

R say this matter has caused them financial loss, financial difficulty, and substantive inconvenience. But as I don't think Barclays has done anything wrong, I see no basis on which I might make an award against it.

### **My final decision**

For the reasons above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 18 July 2024.

Ketan Nagla  
**Ombudsman**