

The complaint

C, a company, complains that Barclays Bank UK PLC unfairly froze its accounts.

C has been represented in this complaint by one of its directors, Mr W.

What happened

In June 2023 Barclays was notified by a third-party credit and data company ("E") that C had been served with a liquidation notice. As a result, it froze C's accounts.

When Mr W discovered that he couldn't access C's accounts he contacted Barclays. He was told the issue was due to a technical error, and that he should have access after the call.

A few days later, Mr W was still unable to access C's accounts. He phoned Barclays again, who told him that C's accounts had, in fact, been frozen because it had been informed that an insolvency notice had been served on C.

This came as a surprise to Mr W. He says that by the following day, he had phoned Companies House and the London Gazette, who confirmed that no insolvency notice had ever been served on C in its long history. He also contacted the liquidators whose details Barclays had given him. They told him they had no knowledge of the matter. Mr W relayed what he'd been told to Barclays. But Barclays told him that it would need confirmation from E of whether there'd been a mistake, and until then the freeze would remain in place.

Barclays contacted E to check the information it had been sent about C. Nineteen days after it froze C's accounts Barclays received notification from E that it had made a keying error, and that no insolvency notice had, in fact, been served regarding C. Barclays released the block on C's accounts a few days later.

In response to C's complaint, Barclays said that it hadn't made any error. It said that it had frozen C's accounts as it had been informed that C was going into liquidation. It said it's obliged to do this when a liquidation notice has been issued, and it couldn't remove the block until E confirmed that there'd been a mistake.

In a further response to the complaint, Barclays offered C £25 to apologise for the fact that Mr W had initially been incorrectly told that a technical error was to blame for the fact that he couldn't access C's accounts. But it reiterated its view that it hadn't made any error regarding the freezing of C's accounts, and said that it had taken all necessary actions to liaise with E and find a timely resolution.

Mr W says that he spent many hours trying to resolve the issue and C paid solicitors for urgent advice about the situation. He says C lost credibility with its suppliers, as it couldn't pay them by direct debit or standing order as usual, and had to make alternative arrangements. C lost interest on the money in its accounts while they were frozen. And Mr W says he also suffered extreme anxiety and frustration.

One of our investigators considered the complaint and thought it should be upheld. In summary, he said that Barclays should have done more to help C after Mr W told it that it had been misinformed about the liquidation notice. He said Barclays should pay C £600 to compensate it for the inconvenience caused, in addition to the £25 it had already offered. And he said it should pay interest on the balance in C's accounts for the period from when Mr W told Barclays there'd been a mistake until Barclays lifted the block.

C accepted the investigator's view. But Barclays disagreed, so the complaint's been passed to me.

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.

Barclays has pointed out that it has a regulatory obligation to act immediately when it receives notice of a liquidation. It says it's not its role to review the notice and decide whether it should act on it. And it doesn't accept that if it had checked other sources, it could have immediately taken their information as correct. It's asked us to consider the risk of it allowing access to the account, only to discover that Companies House's records hadn't been updated correctly. It says it had to seek a response from the source of the disputed information.

I agree with Barclays that it was reasonable of it to freeze C's accounts on being told that a liquidation notice had been served. And I accept what Barclays has said about its regulatory obligations. But having thought carefully about everything that's been said, I don't think it was reasonable of it to keep the block on C's accounts for as long as it did.

Mr W contacted Barclays soon after the accounts were frozen to say that it had been misinformed about the liquidation notice. I can see that Barclays checked the records held by Companies House that same day, and there was no record of any insolvency notice against C. I can understand Barclays' unwillingness to lift the block based purely on Companies House's records, which, as it says, may not have been fully up to date. But there were other sources that it could have checked.

Mr W's told us that his phone call to the London Gazette on the day he found out about the block took a matter of minutes. And if there was a reason why Barclays couldn't have clarified the position quickly by searching the London Gazette, it had the contact details for the liquidator it had been told was dealing with the matter. When Mr W contacted the liquidator, having been given the contact details by Barclays, the liquidator told him very quickly that it had no record of any insolvency notice regarding C.

I think it likely that if Barclays had contacted the liquidator itself, it would have received the same response quickly. I don't accept that Barclays needed to wait for a response from the source that told it about the alleged insolvency before it could lift the block. But if the liquidator had told Barclays that it had no record of C, I think it could have followed this up urgently with E if it wanted confirmation from E.

Taking everything into account, I'm satisfied, on balance, that Barclays could have established very quickly after Mr W contacted it on 4 July 2023 that it had been misinformed by E. In my view, it then could, and should, have lifted the block on C's account without delay. As it was, C's accounts remained frozen for a further 20 days. And I accept that the freezing of the accounts would have caused C considerable inconvenience during that period.

Mr W has referred to the stress that the matter caused him personally. I have sympathy for the situation he found himself in. But as the investigator explained, we can only award compensation for the impact of wrongdoing by a financial business on an eligible complainant. In this case, the eligible complainant is C, a limited company, rather than any individual. An while I can award compensation for C's inconvenience, a limited company can't suffer distress or frustration.

Putting things right

To put things right, Barclays should:

- Pay C £25 as it offered to do;
- Pay C a further £600 to compensate it for the inconvenience caused by the freezing of its account; and
- Pay C simple interest at a rate of 8% per year on the money held in its accounts from 4 July 2023 to 24 July 2023.

My final decision

My decision is that I uphold this complaint. I require Barclays Bank UK PLC to put things right by doing as I've set out above.

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

Juliet Collins
Ombudsman