

The complaint

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

Mr E, who is a director of R, complains on its behalf.

What happened

Mr E told us:

- Towards the end of June 2022 he received an email from Barclays asking him to complete a Know Your Client (KYC) form. He was unable to complete the form on his iPad, so he telephoned Barclays to ask for guidance. He was told to print the form and return it to his local branch, which he did on 30 June 2022. He is satisfied that the form was correctly completed.
- On 17 November 2022 he tried to log in to his internet banking, only to receive an error code. He telephoned Barclays, and eventually managed to get through to somebody who told him R's account had been closed due to his failure to respond to the KYC form. That was a complete surprise to him; up until that point he'd believed the matter was resolved on 30 June 2022. He received no reminders, and no notice that Barclays intended to close R's account.
- He complained to Barclays, but it quickly became clear that he was not going to receive a swift and satisfactory resolution. He therefore spent many hours exploring the possibility of opening a new business account with a different bank.
- On the afternoon of 14 December 2022 he received the funds from R's account into his personal account. Two days later he received a cheque from Barclays for those same funds, dated 23 November 2022 and made out to R.
- He had previously intended to retire in mid 2023, but the problems he experienced with Barclays and his business account caused him to change his plans. In his entire working life, he had never failed to pay staff on time or provide for his domestic outgoings. But because of Barclays' actions he had to pay his staff late and borrow funds from his mother-in-law. He felt completely humiliated by the situation the bank put him in. Because of Barclays' actions and the effect they had on him and his wife he decided to wind up his business – meaning that he had to make a manager who had worked for him for 20 years redundant.
- He estimates the losses he has incurred as a result of Barclays' actions to be:
 - o £80,000 for loss of profit (for projects he would have undertaken in late 2022 and early 2023 but for Barclays' error),
 - o £182 for travelling costs,
 - o £3,585 for his time at his standard rate of £30 per hour,
 - o £500 for accountancy fees,

- o £3,775 for redundancy costs,
- o £541 for interest on funds.
- In addition, he said that both he and his wife have been put to considerable stress and anxiety by Barclays' unilateral and unjust action. None of the telephone calls he made to Barclays were answered promptly, and the significant hours spent waiting for the bank to have the decency to speak to him about his own money that it was unlawfully depriving him of was hugely upsetting and frustrating. The effect this had on his desire to continue to run his business without reliable access to his company's funds was significant. He decided to close his business entirely as a consequence of Barclays' actions.
- Barclays' offer of less than £700 to settle the complaint is woefully inadequate. He requires compensation for the outrageous actions of Barclays, the financial losses= those actions caused, and the humiliation and anxiety caused to himself and his wife.

Barclays told us:

- Mr E is right to say that it carried out a KYC review of R's account during 2022. Such reviews are a regulatory requirement, and it didn't make an error when it asked Mr E to provide it with information.
- Its audit records show that Mr E did visit one of its branches on 30 June 2022, but they do not show whether he provided a completed KYC form during that visit.
- Its investigator concluded that it would be fair to give Mr E the benefit of the doubt and assume that Mr E did provide the information Barclays requested during his June branch visit. It therefore agrees that it should not have closed R's account.
- It sent a cheque for the account balance (just over £85,000) to R's business address, made out to R. Mr E was unhappy that Barclays had issued the cheque in R's name, and requested an electronic transfer to an account that he held in joint names with his wife. That payment was processed on 14 December 2022.
- Whilst there was no delay in releasing the account balance, it offered compensation on the assumption that it should not have closed R's account and that its error meant R was unable to use the funds. It offered to make a payment of £432.58 to Mr E personally. It calculated that as 8% simple interest on the account balance during the period Mr E did not have access to R's money, less tax at 20% (which it said Mr E may be able to reclaim from HMRC). It also offered to pay Mr E £250 to compensate him for the distress and inconvenience he suffered.

My provisional decision

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

"My provisional findings are that Barclays should pay R:

- Interest at 8% simple on the balance of R's account, calculated from the date the account was closed until the date Mr E received R's funds – and without any deduction for tax.
- £250 for inconvenience.

I explain those findings in more detail below.

Everyone accepts that Barclays should not have closed R's account. There is therefore no need for me to decide whether Barclays has done anything wrong. Instead, I need to consider the consequences of Barclays' error.

I am sorry to further disappoint Mr E, but I want to be clear that I only have the legal power to make an award to R. The account at the centre of this dispute belonged to R, and not to Mr E personally. I am aware that Barclays made an offer to Mr E, but I believe it may have done so by mistake. However, regardless of whether Barclays intended to pay compensation to Mr E personally, I cannot make an award to either him or his wife.

The primary dispute between R and Barclays is now about the financial loss R suffered as a result of Barclays' decision to close R's account. Barclays has offered to pay around £500 (though as I've said, there is some confusion about tax and about who should receive that payment). Mr E says R's losses are nearer to £90,000.

I have carefully considered the evidence Mr E has provided, but I am not satisfied that all of the losses he claims on R's behalf were caused by Barclays' error. In particular:

- I am not satisfied that Mr E's decision to wind up R and/or retire early was caused by Barclays' closure of R's bank account. I acknowledge that the situation was extremely distressing for both Mr E and his wife, and that it might well have contributed to Mr E's decision to stop trading. But Mr E could have chosen to continue to run his business, either with a Barclays bank account (given that Barclays offered to reopen the account) or with another bank. Barclays did not prevent R from continuing to trade, and so it would not be fair for me to hold Barclays responsible for R's loss of profits.
- Similarly, it would not be fair for me to hold Barclays responsible for the costs of making one of R's staff members redundant. I don't think Barclays' error caused R to stop trading, so it follows that I don't think Barclays' error caused Mr E to have to make the staff member redundant.
- It's not clear to me that R incurred any travelling or accountancy costs as a result of Barclays' error. I accept that Mr E chose to travel to a Barclays branch to hand in the KYC form, but there were other alternatives (such as the post). In addition, I don't think Barclays was wrong to carry out KYC exercise in the first place, and so I would not order any compensation for the inconvenience R suffered in providing information for the KYC review.
- We do not usually award compensation for the inconvenience of pursuing a complaint through our service, and I see no reason to do so in this case. However, I do accept that Barclays' error meant that R did not have access to its funds between the date of the account closure and the date Mr E received R's balance in his personal bank account. I haven't seen anything to suggest that R's losses exceeded the 8% simple interest that Barclays has already offered. However, I consider that Barclays should pay that amount to R, on the grounds that R (and not Mr E) was the owner of the bank account that Barclays' wrongly closed. Limited companies like R do not pay income tax, so it would not be reasonable for Barclays to make a deduction for income tax. Limited companies do pay corporation tax, but any corporation tax due is a

matter for R and its director. Barclays cannot know how much (if any) corporation tax R will have to pay, and it would not be fair for Barclays to deduct anything from its compensation payment to account for tax.

I think a payment of £250 in respect of the inconvenience Barclays caused when it wrongly closed R's bank account is fair. When a limited company's bank account is wrongly closed, much of the inconvenience caused to the company (rather than to the directors personally) is usually related to having to set up a new account elsewhere, transfer payments, and inform customers of new bank details. But here, R's directors decided not to continue to trade – and as I've said I don't think it would be fair for me to hold Barclays responsible for that decision.

I also want to stress that any award I make will be in favour of R, and not Mr E personally. I don't know whether that will cause a problem for Mr E, nor do I know whether R currently has a bank account or any other way to receive my award, but as I've said I have no power to award compensation to anyone other than R.

I acknowledge that Barclays has previously been prepared to pay R's money to Mr E's personal bank account. If it is willing to do so again, it would be helpful if it would say so in its response to this provisional decision."

Barclays accepted my provisional findings in full. It also said that it was willing to pay the compensation awarded to any bank account specified by R's directors, even if that account was not in R's name.

R's directors did not accept my provisional findings. Briefly, they said:

- Some of the information Barclays has provided to our service is incorrect. In particular, they did not request that Barclays make an electronic payment to their personal joint account; that suggestion was made by Barclays. In addition, the cheque they received on 16 December 2022 was dated 23 November 2022.
- Barclays could have offered to make payment to their personal account much earlier, and they do not understand why it did not do so. Even after Barclays suggested that payment method on 2 December 2022, it still took Barclays 12 days to transfer the funds.
- Barclays could have supported R by granting an overdraft facility on their personal account, but it did not – nor did it offer any other help.
- All the costs they have claimed on R's behalf were incurred as a direct result of Barclays' error in closing R's accounts.
- They had no choice but to stop trading. Barclays' actions meant that R was effectively insolvent, and so they could not trade. The directors were not prepared to risk exposing themselves to prosecution because of Barclays' mistake.

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 have thought carefully about R's directors' additional evidence, but I am still not persuaded that Mr E's decision to wind up R and/or retire early was caused by Barclays' closure of R's bank account. R's directors knew that Barclays owed money to R, and I'm not persuaded that Barclays ever did anything to imply that that money would not be paid. Barclays certainly caused delays in passing on R's money – hence my award for interest – but those delays did not mean that R's money was lost for good. I remain satisfied that Barclays did not prevent R from continuing to trade, and it did not prevent R from opening an account elsewhere. It follows that I don't think Barclays should be responsible for any losses R suffered because of Mr E's decision to retire.

I acknowledge the dispute about who first suggested that Barclays pay R's money to the personal account of Mr E and his wife. However, I don't think that makes a difference to the amount of compensation R should receive, because I have ordered Barclays to pay interest for the whole of the period that Mr E did not have access to R's money.

Similarly, I don't think it would be fair for me to award additional compensation to R because Barclays chose not to offer further assistance (including an overdraft) to Mr E and his wife personally. Taking into account all the evidence I have seen, I consider that the compensation Barclays has offered is fair and reasonable in respect of the losses suffered by R.

Finally, my award is intended to compensate R for Barclays' error in closing R's account. It is not intended to compensate R (or indeed R's directors) for the time and effort associated with complying with Barclays' original KYC review. I don't think Barclays was wrong to carry out that review, so I won't award compensation for R's costs in complying with it.

Putting things right

For the reasons given above, Barclays should pay R:

- Interest at 8% simple on the balance of R's account, calculated from the date the account was closed until the date Mr E received R's funds – and without any deduction for tax.
- £250 for inconvenience.

My final decision

My final decision is that Barclays Bank UK Plc should 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 7 March 2024.

Laura Colman
Ombudsman