

The complaint

Mr and Mrs M have complained that poor service from Barclays Bank UK PLC in 2023 delayed the movement of funds from their account to a product with another provider.

What happened

I have previously issued a provisional decision regarding this complaint. The following represents excerpts from my provisional decision, outlining the background to this complaint and my provisional findings, and forms part of this final decision:

“Mr and Mrs M wanted to move £500,000 from a savings account with Barclays into a bond with another provider (which I will refer to as ‘Provider N’). These funds were the result of Mr and Mrs M downsizing their home, releasing equity that they planned to use to replace Mrs M’s income. This was needed because unfortunately Mrs M had been diagnosed with a serious illness and had resigned from her job.

Mr and Mrs M sent a cheque drawn on their current account to Provider N to open the bond in April 2023. However, this cheque was not honoured because there were insufficient funds in that current account. I understand that the funds of £500,000 were still at this time in the Barclays savings account, which did not have a cheque book facility.

Mr and Mrs M complained in late April to Barclays about the cheque not being honoured. In May, they sent another cheque to Provider N. This cheque was not honoured because Barclays stated its third party agent, which is involved in cheque processing, was not able to contact Mr and Mrs M to confirm that they wished this amount to be withdrawn from their account. The agent also noted that there was an issue with the signature records that Barclays held for Mrs M.

Mrs M then had to have major surgery. Around this time, Mr and Mrs M had been informed by Provider N that it had been told by Barclays that the account the cheque was being drawn from was closed. On 6 June Barclays emailed Mrs M to confirm that the account was not closed. However, it stated that the cheque had not been honoured due to a potential signature discrepancy. Barclays suggested that this could be resolved if Mrs M had access to scanning and printing, which would then allow her signature to be updated.

On 16 June, Barclays issued a complaint response to Mrs M in which it apologised for aspects of the service it had provided. It asked Mrs M if she could arrange a branch visit when she was recovered from surgery, in order to complete a form which would update her signature. Barclays agreed that it had not provided enough support to Mrs M, bearing in mind that she had had major surgery, and it said it should have done more to keep her updated about matters. It offered her a hamper as an apology.

In late June, Mrs M wrote out a third cheque. But some days later, this cheque was also not honoured. Mrs M asked Barclays whether a different process could be put in place for her to provide her updated signature rather than visiting a branch, in light of her distance from a branch and her recent operation. Barclays agreed to visit her at home on 6 July to obtain a new signature.

On 20 July Barclays issued a further complaint response. This stated that in September 2017 it had written to Mr and Mrs M to tell them that the sort code on their account was changing, and that their existing cheque book could be used for a further 36 months. Barclays said that because all three cheques written in 2023 were outside this period, the cheques were not valid. It stated that it would not compensate Mr and Mrs M for any lost interest resulting from the bond with Provider N being set up late because it had told them in 2017 that the cheque book was only valid for 36 more months.

Barclays also confirmed that the April 2023 cheque went unpaid because there were insufficient funds in the account, and the May 2023 cheque went unpaid because its third party agent was unable to reach Mr and Mrs M on the three numbers it had for them to validate the cheque. It stated the only reason the June 2023 cheque went unpaid was because of the obsolete sort code on it, meaning that the account was showing as closed.

Barclays accepted it had taken too long to provide Mr and Mrs M with an accurate answer explaining why their cheques were not being honoured. It also commented that it should not have asked Mrs M to provide a specimen of her signature via a copy of her passport in order to update her signature record. It replaced the previous offer of a hamper with a proposed compensation amount of £200.

Unhappy with Barclays' response to their complaint, Mr and Mrs M referred matters to this service, asking that they be compensated for lost interest, and for the difficulties they'd been caused. They stated that they did not receive Barclays' 2017 letters relating to their cheque book being valid for 36 months. They also confirmed that their money had now been invested in the bond with Provider N on 21 July 2023.

Our investigator's view was that the offer of £200 compensation from Barclays was fair. She stated that Barclays was not at fault for the April 2023 cheque going unpaid, because the funds were not in the current account at that time. Her view was that Barclays had acted reasonably by attempting to call Mr and Mrs M on the three numbers it had for them to validate the May 2023 cheque. In terms of the June 2023 cheque, the investigator stated that Barclays had fairly not honoured this due to signature invalidity.

The investigator explained that, although on all three cheques the sort code was invalid, the third party agent which processes cheques only reviews certain technical details, such as signature matches. Her view was that this agent does not have access to check whether an account is showing as closed. As a result, when the agent failed the cheques for the reasons it had, she considered there was no reason why Barclays would have carried out any further checks, such as to verify if the sort code was valid.

The investigator also noted that, although Mr and Mrs M's investment in the bond had been delayed, this had led to them receiving an annual interest rate of 5%, compared to the earlier available rate which had been 4%. She suggested that this indicated the delay had not caused them a financial loss.

Mr and Mrs M did not agree with the investigator's findings. They stated that Barclays should reasonably have sent them a new cheque book in 2017 after it had changed the account sort code. In terms of the April 2023 cheque, they said that they were both separately called by Barclays and they had each confirmed that the transaction was genuine. Mr and Mrs M also said that Barclays had advised them that it would call them to confirm when they needed to transfer their funds from their savings account to their current account, but this did not occur. Instead it was Provider N who told them the cheque had not been paid.

With regard to the May 2023 cheque, Mr and Mrs M said that they'd told Barclays a number of times that it would be sent. They did not accept that Barclays had tried to contact them about this cheque, and they also questioned why they had not been contacted by Barclays through its app.

With the June 2023 cheque, Mr and Mrs M stated that Barclays did not tell them this was not being paid. They highlighted that they had visited a branch previously, at the time they sold their house, and they questioned why Barclays had not checked that details such as their signature were up to date at this time.

Mr and Mrs M said that it's Barclays' choice to use a third party agent to handle cheque processing, and it also makes a choice not to permit its agent to see all account details. They stated that Barclays failed in its duty of care to them, as it took so long for it to determine why their cheques were not being honoured. Mrs M highlighted the state of her health when these events were taking place, and her view that they had lost interest as a result of the delay which occurred investing in Provider N's bond.

Mrs M provided details of emails and phone calls that she had with Barclays during this time. She also stated that cheques written in late 2020 and January 2022 from the same cheque book were honoured, despite this being more than 36 months after the 2017 sort code change. Mrs M explained that she had to deal with a number of staff in the course of rectifying the situation, at the same time that she was still having to attend hospital regularly following her operation. She also forwarded a link to the FCA's standards of behaviour for firms.

Barclays provided further comments. It stated that with regard to the June 2023 cheque, it didn't believe it had rung Mr and Mrs M to verify it. Barclays commented that this was because there was not a signature for Mrs M on its file, and also the account was closed, and so it was not appropriate to try and verify the transaction over the phone.

Our investigator maintained her view of this complaint. With the April 2023 cheque, she did not consider Barclays was obliged to prompt Mr and Mrs M to ensure funds were available in the relevant current account. Taking into account that later cheques failed due to the absence of a signature, she concluded that the payment had not failed solely due to the cheque book expiring. The investigator stated that Mr and Mrs M could have used a bank transfer to make payments to Provider N, rather than paying by cheque. She was satisfied the £200 compensation offer from Barclays was a fair one.

Mr and Mrs M responded that paying by bank transfer was not a method accepted by Provider N for the bond they were applying for. The investigator stated that Provider N's website indicates that it is.

Mr and Mrs M asked that an ombudsman review this complaint. They commented that it was Barclays' decision to change the sort code, and that it did not adequately inform them that their cheque book would become invalid as a result. They reiterated that it was Barclays' choice to use a third party agent to process cheques, without giving it access to all account records. Mr and Mrs M also repeated that they were told by this agent that they would be informed when to move their funds from their savings account to their current account.

In terms of utilising bank transfers to open Provider N's bond, Mr and Mrs M stated that this would have resulted in them having to open six separate accounts for the bond.

What I've provisionally 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.

Initially I would note that in the course of this complaint being investigated, the possibility has been raised that Mr and Mrs M could have avoided using a cheque to open Provider N's bond by instead enacting a bank transfer. My understanding is that this would have been an option, and within the records provided by Barclays, it seems that Barclays did suggest this to Mr and Mrs M.

But Mr and Mrs M have commented that this would have resulted in separate accounts having to be set up with Provider N. In addition my view is that, as their current account included a cheque book facility, Mr and Mrs M were entitled to make the payment via cheque, if this is what they wanted to do. The issue for me to determine is whether Barclays was at fault for the delay which occurred moving the funds to the receiving bond via a cheque payment.

For ease of reference, I have included sub headings in this provisional decision relating to the key issues that I consider are relevant for the outcome in this case.

The change of sort code in 2017

Barclays have provided copies of three letters that it states it sent to Mr and Mrs M relating to the change of the sort code for the account in 2017. These are dated in June, August and September 2017 and sent to the same address. Mr and Mrs M say that they did not receive these letters. Whilst I acknowledge their comments, on balance my view is that it is more likely than not that they were sent to them.

The June 2017 letter explained that due to changes in banking legislation, the sort code would need to be changed. It confirmed that Mr and Mrs M did not need to do anything at that time. Both the August and September 2017 letters stated that Mr and Mrs M could "continue to use any existing cheque and paying-in books for a further 36 months". They also explained that when Mr and Mrs M got towards the end of their existing books, replacements would be automatically issued with the new sort code on them.

The September 2017 letter confirmed that the sort code had now been changed. It appears that Mr and Mrs M did not use sufficient cheques in the 36 month period following this change to trigger a new cheque book being sent to them. It was therefore cheques with the now invalid sort code that were presented for payment of Provider N's bond in 2023.

Mr and Mrs M say that they used cheques from this same book in both late 2020 and January 2022, and both were honoured, despite being outside the 36 months 'validity period' mentioned in the 2017 letters. I do not have any further details regarding these two cheques. However, overall I don't consider that this affects the outcome of this complaint, relating to the failure of the cheques presented in 2023 to pay. That's because in my view the key consideration is whether Barclays adequately informed Mr and Mrs M that cheques written with the old sort code on them would not be honoured at a certain point in the future.

On that issue, on balance my view is that Barclays' letters in 2017 did appropriately inform Mr and Mrs M that cheques with the old sort code on them could only be used for a further 36 months after September 2017. Notwithstanding that Mr and Mrs M may have had cheques written later than this honoured, I consider that Barclays did put them on notice that these cheques would not be valid three years after the sort code change. Mr and Mrs M say that Barclays should have told them this fact via their app, but my view is that issuing these letters in 2017 represented Barclays taking sufficient steps to let them know about the forthcoming invalidity of cheques using the old sort code.

Mr and Mrs M state that Barclays should reasonably have sent them a new cheque book when the sort code changed in 2017, in the same way that it sent new debit cards to them. I have thought carefully about their comments, but my view is that it was not unreasonable for Barclays to guarantee that the existing cheque book would be valid for a period of three years after the sort code change. That represented a significant period of time, in which it might be expected that the cheques in that book would be used.

The April 2023 cheque

This cheque was not honoured because there were insufficient funds in the current account from which it was drawn. Mr and Mrs M say that they spoke about this cheque to what they believed at the time was a Barclays member of staff, but they now believe was its third party cheque processing agent. They say they were advised that they would receive a call from Barclays/its agent to let them know when they needed to transfer funds from their savings account to their current account, but this did not happen.

I cannot be certain about the details of discussions that occurred between Mr and Mrs M and Barclays/its agent at the time that this cheque was presented. However, on balance my view is that it would be for the bank account holder to ensure there were sufficient funds in an account to cover a cheque that was being presented for payment. I would not expect the cheque to be presented before the necessary funds were already in the account. Based on the evidence provided, I do not consider it's been shown that Barclays (or its agent) was at fault when the April 2023 cheque was rejected for payment due to insufficient funds being held in the account.

The May and June 2023 cheques

Barclays has stated that the May 2023 cheque was not honoured because its third party agent was not able to contact Mr and Mrs M to verify that they wanted this payment to be made. It also says that its agent had noted that there was an issue with the signature records that Barclays held for Mr and Mrs M. Mr and Mrs M say that they'd given Barclays notice that they were going to send this cheque, and that Barclays didn't try to contact them about it.

Barclays has detailed the three numbers that it says it tried unsuccessfully to contact Mr and Mrs M on. On balance, I do not consider I have sufficient reason to doubt that Barclays/its agent did attempt to contact Mr and Mrs M about the validity of the May 2023 cheque. However, I have also carefully considered the events that occurred after this cheque was rejected for payment by Barclays.

According to its notes, in early June 2023, Barclays investigated why the May 2023 cheque had not been honoured. It identified that there was an issue with the signature record that it held for Mrs M. It mentioned that if Mrs M needed to come into a branch to update her signature, there might be delays because she was about to undergo surgery.

On 2 June, Mrs M emailed Barclays to explain that Provider N had told her that it had been informed by Barclays that the account the cheque was being drawn from was closed. On 6 June, Barclays emailed Mrs M to say: "I'd like to reassure you your account has not been closed and this can be confirmed by viewing your accounts online."

I have thought about why Provider N would have been told by Barclays that the account that the cheque was being drawn from was closed. It seems likely to me that the reason Barclays gave this information was because it was being asked to honour a cheque which had account details which were invalid – with the invalid information being the sort code. On

balance this leads me to the conclusion that when Barclays told Provider N the account was closed, it did so because it had identified that the May 2023 cheque had the outdated, and now incorrect, sort code on it.

That being the case, my view is that when Barclays investigated in early June why the May 2023 cheque had failed, it should reasonably have identified that there was a further problem with it, in addition to Barclays not having an up to date signature for Mrs M. At a later date, Barclays identified that Mr and Mrs M were writing cheques that had an invalid sort code on them. But in my view, in light of Barclays telling Provider N that the account was closed in early June, Barclays should then have investigated why it had come to this conclusion.

Had it done so, I consider that in early June 2023, Barclays would have discovered that Mr and Mrs M were using an outdated cheque book. Barclays would then have been able to provide a new cheque book at an earlier date than it did; I understand arrangements for a new cheque book to be sent were only made when Barclays visited Mrs M at home on 6 July, to obtain her signature.

What should Barclays be required to do to put things right for its errors?

If Barclays had identified that Mr and Mrs M were using an invalid cheque book in early June, my view is that by 6 June, when it emailed to say that the account was not closed, it should reasonably have been issuing a new and valid cheque book.

There remained at this time the outstanding issue regarding Mrs M's signature record. Mrs M told Barclays on 13 June that she had been discharged from hospital. Barclays had stated that Mrs M would need to go into a branch to update her signature. It later accepted that this could be done through a visit to Mrs M's home. In my view, Barclays should reasonably have offered this option to Mrs M once it knew that she was having major surgery.

Had it done so, I consider Barclays could have visited Mrs M to update her signature at home around 15 June. As Mrs M would also have been in receipt of a valid cheque book by then, if Barclays had appropriately investigated the sort code issue in early June, my view is that Mr and Mrs M could have had their bond application completed by Provider N around 21 June. This is about a month before the bond was actually put into force.

I need to consider whether Barclays' error has caused Mr and Mrs M a financial loss. Mr and Mrs M have highlighted that the bond they were investing in was intended to produce an income for them. Based on what I have said above, interest from the bond started to be paid a month later than would have been the case if Barclays had handled matters appropriately. But, looking at the interest rates offered by Provider N, if the bond had commenced around 21 June, Mr and Mrs M would have secured a fixed interest rate for the year of 4%. When they invested on 21 July, they instead received an interest rate of 5% for the year.

I appreciate that they have started to receive interest a month later due to Barclays' error. But based on the increased fixed rate that they secured, my view is that Mr and Mrs M have not suffered a financial loss as a result of the way in which Barclays' handled matters relating to the rejected cheques. The increase in the bond's rate from 4% to 5% has resulted in Mr and Mrs M receiving more interest than was lost by the delay of one month in starting the bond.

I have also considered the levels of distress and inconvenience that Barclays' actions have caused Mr and Mrs M. I have found above that Barclays' failed to take appropriate steps in early June 2023 to uncover the reasons for Mr and Mrs M's cheques not being honoured. Barclays also incorrectly told Mr and Mrs M that she could provide a specimen of her signature via a copy of her passport to update her signature record, when in fact she needed

to sign a specific form that Barclays uses for this purpose. And Barclays initially told Mrs M that she would need to visit one of its branches to record her signature, despite her recovering from recent major surgery. It was several weeks later that Barclays accepted it could arrange a home visit instead to get this matter resolved.

Mr and Mrs M have explained the importance of getting the proceeds from their house sale invested in order to provide an income to replace that lost when Mrs M had to leave her job. Mrs M has explained that she left her job because of her ill health, which then gave rise for the need for surgery. Overall I consider that Barclays' handling of matters has unnecessarily caused a significant degree of additional difficulties to Mr and Mrs M at a time when they would reasonably want to focus on Mrs M's health, and also on arranging their finances for the future.

My view is that Barclays' actions delayed the bond investment, and made arrangements about updating Mrs M's signature more difficult than they should have been. By failing to investigate at an earlier date why the bank account was being reported as being closed, they caused Mr and Mrs M unnecessary concern and worry. Taking into account the levels of distress caused, and the particular circumstances of this case, I currently consider Barclays should pay Mr and Mrs M £500 compensation."

Responses to my provisional decision

Barclays agreed with my proposal that it should pay Mr and Mrs M £500 compensation.

Mr and Mrs M provided extracts of transactions from their bank account showing that cheques were honoured by Barclays in October 2020 and January 2022. They highlighted that these were written from the out of date cheque book, and they say Barclays did not contact them about the cheques before processing them.

Mr and Mrs M also confirmed their mobile phone numbers. They said that these have been the same for years, and they explained that both have the facility to leave messages. Mr and Mrs M confirmed their view that Barclays had misrepresented the situation in respect of both the cheques written in October 2020 and January 2022, and whether it had attempted to contact them on their phones.

Mr and Mrs M said that they would accept my provisional findings, but Mrs M was doing so to protect her health. They confirmed they remain concerned about whether Barclays followed FCA rules in its dealings with them, and whether it was acting fairly.

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.

Firstly I should say that I acknowledge what Mrs M has said about accepting the findings in my provisional decision to protect her health. I appreciate that Mrs M has been coping with serious illness and a major operation whilst having to deal with this matter. I also appreciate why pursuing a complaint would have been an additional burden that she would have wanted to avoid if possible. In reaching the final decision that I have, my purpose has been to assess the evidence provided in a fair and balanced way.

Mr and Mrs M have shown from the extracts from their bank account that cheques they wrote from their old cheque book were honoured by Barclays in October 2020 and January 2022. I also note their comments that Barclays did not contact them before processing these cheques. However, having thought about this matter again, my view on this issue remains as

expressed in my provisional decision. On balance I consider that Barclays had put Mr and Mrs M on notice in 2017 that cheques with the old sort code on them would not be valid after 36 months.

By the time that the cheque in April 2023 was written, it was more than 5½ years since the sort code change. My view is that, in light of the letters that Barclays had issued to Mr and Mrs M in 2017, it had taken sufficient steps to inform them that by the time they wrote cheques in 2023, any showing the old sort code on them would not be valid. In addition with regard to the April 2023 cheque, as explained in my provisional decision, I think it was reasonable for this cheque not to be honoured on the basis that there were insufficient funds held in the account at the time.

Mr and Mrs M have confirmed that their mobile phone numbers have been the same for years, and are able to take messages. They remain of the view that Barclays did not attempt to contact them to discuss the cheque that they wrote in May 2023. I cannot be certain whether Barclays called Mr and Mrs M about this cheque. However, Mr and Mrs M have confirmed that they were both separately called by Barclays regarding the April 2023 cheque. This indicates to me that it was normal practice for Barclays to call customers when there was an issue with a cheque being honoured. Combined with this is that Barclays' records indicate that it attempted to ring Mr and Mrs M about the May 2023 cheque. On balance I consider it reasonable to conclude that Barclays did indeed try to contact Mr and Mrs M about the May 2023 cheque.

As I explained in my provisional decision, my view is that in early June 2023 Barclays should have investigated further why the cheques were failing, and it would then have discovered that Mr and Mrs M were using an outdated cheque book. My provisional decision explained my reasoning why I considered the bond application with Provider N could have been completed around 21 June, but for Barclays' error. I'm not persuaded that this has caused Mr and Mrs M a financial loss. But I consider that Mr and Mrs M have been caused significant unnecessary distress by Barclays, for the reasons outlined in the provisional decision. In conclusion, I remain of the opinion that Barclays should pay Mr and Mrs M £500 compensation for distress caused to them.

My final decision

My final decision is that I uphold this complaint in part, and I require Barclays Bank UK PLC to pay Mr and Mrs M a total of £500 compensation (including any compensation sum already offered/paid) to reflect distress and inconvenience caused to them.

I make no other award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 15 March 2024.

John Swain
Ombudsman