

## **The complaint**

A club, which I will refer to as E, complains that Barclays Bank UK Plc wrongly closed its bank account following a Know Your Customer (KYC) review.

## **What happened**

Barclays closed E's account on 5 September 2023, on the grounds that E had failed to co-operate with its KYC review. Barclays later accepted that in fact E had co-operated, and had provided the information the bank had asked for. That information had not been passed to the relevant team within the bank, and so the account was closed in error.

Barclays later reopened the account, and I understand the KYC review was completed. The bank offered compensation of £550; £50 was to cover a late payment fee from a utility provider, and £500 was to recognise the impact of Barclays' error on E.

E's representatives did not agree that £550 represented fair compensation. They said that Barclays should be liable for additional costs, and that it should also pay more to recognise the actions that E's members were forced to carry out in response to what happened.

One of our investigators looked at the complaint, and recommended that Barclays pay additional compensation. He thought it would be fair for Barclays to pay:

- A further £51.38 to cover an additional late payment charge, plus resulting interest.
- An amount of £69.46 in respect of interest on the amount in E's account, calculated at a rate of 8% per year simple, to cover the 23 days that E did not have access on its money.
- Another £500 (in addition to the £500 Barclays had already offered) to reflect the inconvenience caused to E as a result of the account closure and the delays in reopening it.

E accepted our investigator's recommendations, but Barclays did not. It was prepared to pay the additional £51.38 in respect of the late payment charge, as well as interest at 8% on the balance of the account. However, it said it did not agree that a payment of £1,000 was fair in respect of the inconvenience caused by an account being wrongly closed for 17 days. The bank's view was that the £500 it had offered in this respect was already towards the higher end of fair compensation for a case like this one.

The matter was therefore referred to me to review.

## **My provisional decision**

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

“There is no need for me to consider whether Barclays was correct to close E’s account; everyone accepts that the bank made a mistake. I need to look at the impact of that mistake, and decide on fair compensation.

There is also no need for me to consider E’s financial loss in any detail, because there is no longer any dispute about how much Barclays should pay for the financial losses E has suffered. The dispute [is] now primarily about compensation for inconvenience.

We publish information about our approach to inconvenience on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . We do not have a set award for the inconvenience of having a bank account wrongly closed. Instead, we look at the impact of the bank’s error on the complainant – which in this case is E itself, and not E’s members.

When our investigator asked E’s representatives for comments about how the closure had affected E, they told us:

“[We] feel that additional hardships and inconvenience should be considered when assessing the compensation, particularly those suffered by members of the club in their efforts to maintain its solvency:

- Payments bar supplies and using their own transport to collect;
- Payment for groundworks;
- Making alternative having arrangements for receiving card payments;
- Making alternative arrangements for the receipt of fees and hire charges;
- Discussions with creditors to avoid penalties and / or loss of trade and reputation.

Then of course, catching up, reimbursing everyone, and getting everything back to how it should be.

It was a very serious and worrying time causing considerable stress particularly for [senior members of E’s committee].”

Looking solely at the impact on E, we will generally make an award in the range of £300 to £750 if the impact of a mistake has caused significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically we make that level of award if the impact of a mistake lasts for many weeks or months, but it may also be fair to make an award in that range if a mistake has a serious short-term impact. We will generally only make an award in the £750 to £1,500 range if there has been serious disruption over a sustained period, with the impact felt over many months, or even a year – though again we might make an award in this range if a business’s mistake caused a serious short-term impact.

Taking into account both our guidance and E’s representative’s comments, and applying my own judgment, my opinion is that Barclays’ original offer of £500 for inconvenience was fair. I entirely accept that the unexpected and wrongful closure of E’s bank account caused substantial inconvenience. The impact did not last for many weeks or months – the matter was largely resolved within one month – but Barclays’ error undoubtedly caused a serious short term impact.

I acknowledge that E’s representatives will be disappointed with my conclusions, particularly as they are different to those of our investigator. I don’t underestimate the

distress they suffered, nor do I underestimate the time and effort they spent to put things back on track. But I simply have no power to make an award to anyone other than the complainant account holder E. I think a payment of £500 is fair in respect of the substantial inconvenience Barclays caused to E over a short period.”

Barclays accepted my provisional decision in full.

E’s representatives said that they didn’t have any further information that they thought was likely to change my mind, but they didn’t think the compensation went far enough considering the issues that both they and E suffered. They said that the amount did not punish the bank, and was unlikely to make it take steps to avoid this type of error in the future.

### **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. I now confirm those provisional conclusions as final.

I acknowledge that my award does not punish the bank, but I have no power to award punitive damages. So far as possible, my aim is to put the complainant E only (and not its representatives) into the position E would have been in if Barclays had made no error. I am satisfied that my award is fair and reasonable in all the circumstances of this complaint, for the reasons set out in my provisional decision.

### **Putting things right**

I consider that Barclays should pay E a total of £670.84:

- £50.00 to cover one utility provider’s late payment fee (the one mentioned in the bank’s own final response); plus
- £51.38 in respect of the second late payment fee (the one discussed by our investigator in his opinion); plus
- £69.46 for interest; plus
- £500.00 to compensate E for inconvenience.

### **My final decision**

My final decision is that I uphold this complaint and order Barclays Bank UK Plc to pay E £670.84.

Under the rules of the Financial Ombudsman Service, I’m required to ask E to accept or reject my decision before 10 June 2024.

Laura Colman  
**Ombudsman**