

## **The complaint**

A company, which I will refer to as H, complains that Barclays Bank UK Plc closed its bank accounts without notice and for no obvious reason.

## **What happened**

H's directors told us:

- In January 2023 they discovered that H's Barclays accounts had been closed. They weren't given any notice of the closure, and at the time they didn't know why Barclays had taken the actions it did.
- They later discovered that Barclays had closed H's accounts because it claimed that they hadn't responded to its requests for information to help it complete its Know Your Customer (KYC) review. However, they did provide the information via the mobile banking app, and a member of Barclays' staff later confirmed that she could see that information. The same staff member also told them that she couldn't see anything to suggest that he had been informed of the impending closure, nor could she see anything to suggest he'd been told of any requests for clarification. Her position was that the closures appeared to be a bank error.
- On 27 January 2023 they made an urgent request for a cheque representing the balance of the accounts to be sent to a specified address (they originally asked for a BACS transfer, but Barclays said that would not be possible). Despite the urgency of his request, they did not actually receive the cheque until 16 February 2023. That cheque was dated 1 February 2023, which they found confusing given that Barclays told them the cheque was not processed until 6 February 2023, and was also stopped on 14 February 2023. They do not know what the actual sequence of events was.
- On 27 February 2023 they attempted to pay Barclays' cheque into H's new account with an alternative bank, but it was declined on the following day. They didn't receive a replacement cheque until 14 March 2023, and they were then able to pay that cheque into H's new account.
- The impact was that H had no cash flow for around eight weeks. It could not pay outgoing invoices, and it could not receive monies in. Its directors had to spend time and money dealing with the issue, instructing clients to hold off making payment, and contacting suppliers to either arrange alternative means of payment or defer payment until H had a new business bank account.
- H's compensation claim is for just under £2,250. That comprises approximately 10 hours spent on the phone to the bank, a similar amount of time opening an account elsewhere, and around three hours dealing with Companies House (all at the directors' hourly rates). H's claim also includes costs for nearly 60 miles of driving, as well as interest on the missing funds.

Barclays told us:

- In July 2022 it began a KYC review of H. It initially wrote to H's directors by letter on 28 July 2022 asking for information about the business, and its directors responded on 1 August 2022. However, after reviewing that information the bank realised that it needed to know more about H. In particular, it wanted further information about H's trading address.
- On 2 August 2022 it wrote to H's directors, using the address of H's registered office, to explain it needed to speak to them – and warning that if it didn't hear back from the directors, it may need to close H's account.
- It didn't receive a response from H's directors. It was not prepared to keep H's account without the information it had requested, and so on 3 November 2022 it issued a notice to close, explaining that it would close H's account in two months of the directors did not respond. It sent a reminder in late November 2022. It still did not hear from the directors, and so it closed H's account in January 2023.
- It would normally issue a cheque for the balance of the account to the address it had on file and in the name of the account holder. H's directors asked for an amendment to its usual process, and so there were some delays.

One of our investigators looked at this complaint, but did not uphold it. Briefly, she said that she was satisfied Barclays had sent the letters it said it had sent, H's directors did not respond, and so Barclays acted fairly when it closed H's accounts. She also said the delay in H's directors receiving the cheque for the balance of the accounts was because the directors wanted it to be sent to an address other than H's registered office, meaning that the cheque had to be reissued. She also noted that Barclays told H's directors on 9 March 2023 that a bank transfer was an alternative option.

Barclays accepted our investigator's conclusions, but H's directors did not. They said they didn't receive Barclays' letters and reminders from 2 August 2022 onwards, and reiterated that a member of Barclays' staff had told them that she couldn't see those letters on Barclays' system. They also noted that the first cheque was issued on 6 February 2023 and cancelled on 14 February 2023 – but the second cheque was not issued until 6 March 2023 after they made a specific request for it. Given that they are able to make payments effectively instantly, they consider that a delay until 6 March 2023 is unacceptable regardless of whether the bank made an error in closing the account.

### **My provisional decision**

I issued a provisional decision on this complaint. I said:

“My provisional conclusions are:

- Barclays did not act fairly when it closed H's account.
- The issues surrounding the cheques are no longer material, because if everything had happened as it should the cheques wouldn't have been issued in the first place.
- Barclays should pay H £500 to compensate it for the inconvenience it suffered, and also pay interest at 8% per year simple for the period that H did not have access to its money.

I give more details about my findings below.

### ***The 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 required to carry out ongoing monitoring of new and existing relationships. That sometimes means – as in this case – that a bank chooses to carry out a KYC review.

I do not criticise Barclays for its decision to carry out a KYC review, nor do I criticise it for its decision to seek further information after reviewing H's director's initial response. I understand H's directors have not raised any concerns about being asked to participate in the KYC review; their concern is about the closure of H's accounts rather than about being asked to provide information.

The dispute here has so far been primarily about whether Barclays sent letters to H on 2 August 2022 (its request for clarification) and 3 November 2022 (the notice to close). I acknowledge that H's directors have no recollection of receiving those letters, and that they are extremely unhappy that Barclays cannot provide copies, but on balance I am satisfied that they were sent.

Barclays has provided me with its audit history, which shows that the 2 August 2022 and 2 November 2022 letters were sent by a third party to H's registered address. I accept its evidence on that point. It is common for banks to use third parties to send out correspondence of this type, and it is also common for records of that correspondence to initially be kept on the third party's computer systems (meaning that the majority of the bank's staff cannot see the records). I think that explains why the Barclays' staff members H's directors spoke to could not tell that the letters had been sent.

I am therefore satisfied that:

- Barclays did write to H's directors on 2 August 2022 asking for information, and H's directors did not respond to that letter.
- The directors' non-response meant that Barclays was entitled to decide to close H's accounts.
- Barclays issued a notice to close on 3 November 2022, and then closed H's accounts in line with Barclays' terms and conditions.

In other words, I am satisfied that Barclays was entitled to take the actions it did. But that is not the end of the matter. As an ombudsman, I must also consider whether Barclays acted fairly.

I note:

- Unlike in some other cases I have seen, H's directors did not at any point tell Barclays that they were unwilling to provide information.
- On the contrary, H's directors responded extremely quickly to Barclays' initial information request. H was not a customer that simply ignored all communication requests from Barclays. In my view, the fact that H responded so quickly to the first communication and then not at all to the others suggests

that some correspondence had either gone astray or been overlooked.

- I'm aware that H's directors say they didn't receive Barclays' letter of 2 August 2022. I am also aware that as at that date, they had only very recently provided evidence to Barclays. If they had only quickly glanced at the 2 August 2022 letter, they might have thought it was a merely a reminder to do what they had already done – and that the 2 August 2022 letter had crossed in the post with their reply to Barclays' original correspondence. I accept that if the directors had both received the 2 August 2022 letter and read it carefully, they would have seen that Barclays needed more information. But I don't exclude the possibility that the directors did receive the 2 August 2022 letter and then overlooked it.
- Barclays does not appear to have sent H any reminders between 2 August 2022 and its notice to close on 3 November 2022. I am aware of other cases in which Barclays sent many reminders to account holders, and I am not clear on why it did not choose to do so here. The closure of an account is a significant step, and in my view, it would be good practice to – where possible – issue multiple reminders before issuing a notice to close. (I accept that there are situations where a bank may need to close an account without giving notice, but there has been no suggestion that this was such a case.)
- Whilst the postal service is generally reliable, there were several strikes during the second half of 2022. That is another reason why I think it would have been good practice for Barclays to have sent a reminder between its 2 August 2022 information request and its 3 November 2022 notice to close.
- Barclays told us on 18 August 2023 that H was in a group of other customers who were sent an initial outreach letter between 1 August 2022 and 4 August 2022, a first reminder on 31 August 2022, a second reminder on 14 September 2022, and a notice to close on 3 November. But it appears that those dates were for customers who did not respond at all. H's directors did respond to Barclays' initial outreach, so it would be surprising to me if H was treated in the exact same way as non-responders. I think it is possible that H's situation was not entirely covered by Barclays' process. Its directors' extremely quick initial response is likely to have meant that it was not appropriate to include H in the initial reminder sent to other customers in the same group as H – but it does not appear that Barclays sent any reminder at all between its 2 August 2022 request for information and its 3 November 2022 notice to close.
- Given H's directors' responsiveness to Barclays' initial communication, I think it is likely that they would have responded similarly quickly had they realised that Barclays intended to close H's account. There were many additional ways in which Barclays could have contacted the directors to warn them it was intending to issue a Notice to Close, but Barclays did not take any of them. To be clear, I am not saying that Barclays was contractually required to put a message in its app, or to telephone H's directors, or to contact them in any other way – I am merely saying that if Barclays had used another method to contact the directors, I think it is likely that they would have responded.

Overall, whilst I recognise that the terms and conditions of H's account allowed Barclays to close H's account, I don't think the bank acted fairly in doing so.

I want to stress that I am aware that the provisional findings I have made here are unusual – and they are different to the findings I have made in other cases that may appear similar at first glance. But my findings are unusual because I consider that the circumstances here are unusual; I have not changed my overall approach. If I was satisfied that Barclays had sent a reminder to H between its 2 August 2022 information request and its 3 November 2022 notice to close, then it is unlikely that I would have concluded that Barclays had acted unfairly.

I've thought carefully about whether the reminder letter that Barclays says it sent in late November 2022 makes any difference – but I have some concerns about whether that reminder was sent at all. I note:

- H's directors say they did not receive the November 2022 reminder – though that of course does not mean that it was not sent.
- When Barclays wrote to Mr H's MP on 31 March 2023, it said that it had tried to contact H's directors by letter on 2 August 2022 and 21 November 2022. It did not mention the 3 November 2022 letter, and implied (but did not say) that it had issued a notice to close on 21 November 2022.
- Barclays told us that it could not provide copies of the actual letters that it sent to H, but it could provide templates. The templates that it provided for the 3 November 2022 notice to close and the late November 2022 reminder are very similar:
  - One is headed "PLEASE RESPOND URGENTLY: we're closing your account in 2 months unless you confirm your business details" and goes on to say "We urgently need you to provide the information we've asked for about your business account. As we haven't received this information from you yet we need to close your account in two months from the date of this letter".
  - The other is headed "We'll close your account in 2 months unless you provide your latest business details" and goes on to say "We urgently need you to provide the information we've asked for about your business account. As we haven't received this information from you yet, we'll close your account in two months from the date of this letter."

Barclays didn't specify which of these templates was the notice to close and which was the reminder. But the content of the templates suggests that they are merely different versions of a notice to close letter. I think it is unlikely that Barclays would have intended to send two different notices to close to the same customer in the same month about the same account, which leads me to suspect that it may have sent only one of those two letters.

- A member of Barclays' staff made an internal note on 21 November 2022 to say:  
"Outreach by Post/Digital for [KYC project] refresh undertaken July 22, customer has not responded. Outreach reissued by post in November 2022, customer should respond within 60 days to complete their KYC refresh. Product restrictions remain on their account until KYC refresh is complete."

In my view, that note is not particularly clear. It says that outreach was reissued in November 2022, suggesting that as at the time the note was

drafted on 21 November 2022 the reissued outreach had already been sent. But I don't think a notice to close could fairly be described as "outreach". The note suggests that some kind of reminder is more likely, but as I've said the template letters that Barclays has provided look far more like notices to close than reminders.

However, even if the reminder was sent, by that point Barclays had already made the decision to close H's account – and I don't think that decision was fair. I acknowledge that Barclays might have reversed its decision if H's directors had contacted it in December 2022 or January 2023, but given my uncertainty about whether the reminder was sent at all I don't think it would be fair for me to take it into account.

### ***Post closure cheque issues***

Given my provisional finding that Barclays should not have closed H's account, I consider that the post closure issues surrounding the cheques fall away. If everything had happened as it should, I don't think Barclays would have closed H's account in the first place – and so there would have been no need for a cheque to be issued. As a result, I do not intend to make any findings about whether Barclays did or did not make errors with the cheques.

Put another way, I don't intend to consider whether Barclays should pay H any additional compensation because cheque delays meant that its directors couldn't access its money. The directors couldn't access H's money anyway, because Barclays had (in my view wrongly) closed H's account. If I were to award compensation for the cheque issues as well as for the account closure, I would be compensating H for the same loss twice.

### **Putting things right**

The bank account at the centre of this dispute belonged to H, and not to its directors. That means I can only award compensation for financial loss or inconvenience suffered by H itself. I acknowledge that the directors will understandably have been distressed, but I cannot make an award to compensate the directors personally. As a corporate body, H itself is not capable of suffering distress.

I have carefully considered the directors' evidence, but I am not going to make an award at their hourly rate. Instead, I will look at the financial loss the complainant company has suffered, as well as any inconvenience that Barclays' error caused to the complainant company.

So far as financial loss is concerned, I consider that Barclays should pay interest to H, at a rate of 8% per year simple, for the period that H did not have access to its funds. Based on the evidence I have so far, I believe that period to have been 26 January 2023 to 14 March 2023. That is approximately 48 days (and not the eight weeks that H's directors suggested). If H's directors believe that the company's financial loss exceeds that figure, they should provide evidence in their response to this provisional decision.

We publish information on our website about our approach to compensation for inconvenience, and it is available at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> .

Here, the impact of Barclays' mistake was relatively short term; the directors were able to open a new account elsewhere within a couple of months. But that short term

impact was serious. H's directors needed to open a new account elsewhere at short notice, and make changes to H's arrangements for both sending and receiving payments. Taking all the evidence into account, and applying my own judgement, I consider that a payment of £500 would represent fair compensation for that inconvenience.

The directors have also suggested that Barclays' decision to close H's account led to the directors spending time dealing with Companies House. I don't understand why that would be, so unless I receive further evidence on that point, I will not be making an award for the inconvenience associated with contacting Companies House."

Both parties confirmed receipt of my provisional decision. Neither of them provided any new evidence or arguments.

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

### **Putting things right**

I consider that Barclays should pay compensation as set out in my provisional decision. It should pay H £500 for the inconvenience that H suffered, and it should also pay interest at 8% per year simple for the period that H did not have access to its money.

### **My final decision**

My final decision is that I uphold this complaint. I order Barclays Bank UK Plc to pay compensation to H as set out above.

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

Laura Colman  
**Ombudsman**