

The complaint

Mr S complains on behalf of his business E that Barclays Bank UK PLC closed its bank account without warning and denied it access to its funds for six weeks.

What happened

Mr S said Barclays notified closure of E's client account in 2022, along with those of similar businesses. He said the account is checked weekly and audited by a trade body to provide protection to E's clients and fully met Barclays' criteria. Mr S said they decided to change banks anyway in 2022 due to very poor service, but were restricted by a dispute between directors of E. Mr S said Barclays was fully aware of this and allowed time for the dispute to be settled, so E could open an account with another bank.

However, Mr S said without communication Barclays closed E's client account in October 2023 removing £78,000, for which it sent a cheque. This was paid to E's new bank, but it was returned as Barclays referred to it as suspicious, although it was drawn down by them. Mr S said the funds were then missing for about six weeks. Mr S complained to Barclays.

In its response Barclays said there was no error concerning the closure of E's account. It issued a 60-day warning letter and wrote to E's directors on 4 August 2023 to remind them the account would be closed in 30 days – this was extended at Mr S's request and further until 29 September as there were credits pending. Barclays said it transferred the balance to an internal holding account on 2 October followed by its issue of a cheque, as this is the correct process to return the closing balance. Barclays paid £150 compensation to apologise for the inconvenience with the cheque and subsequently increased its offer to £500.

Mr S said E's lawyers thought Barclays should pay a five-figure sum as compensation for the damage done to E, but they didn't want to follow a legal route. He said the loss of use of the funds prevented E from paying rent to 32 landlords until it obtained an emergency loan from a director to pay clients. He said no one at Barclays could trace the funds and E was left exposed to claims, with directors defending E from disgruntled clients demanding to know what was happening. Mr S seeks compensation for the grief, inconvenience and resources re-directed to prevent clients from litigating against E or removing their business entirely.

Mr S said E successfully retained clients due to reliable services delivered in the years before. He said they were never able to speak to anyone at Barclays with authority and each time they got through, they had to explain the whole story from the start. Mr S said the impact on E meant it should be offered at least 10% of its £78,000. Mr S said they previously complained to Barclays about its closure of E's account, but received no response.

Mr S referred E's complaint to our service. Our investigator recommended that it be upheld in part. He said Barclays made a business decision to close E's accounts and provided it with the correct 60-day notice. He said Barclays error with the cheque meant it wasn't paid until 14 November 2023, and this was too long and caused significant inconvenience.

The investigator said we can only award compensation based on what has occurred, not what may have occurred, and here there was no financial or reputational harm to E. And we can only base an award on the inconvenience caused to a business not its stakeholders. The investigator said that Barclays should pay E £750 compensation and 8% basic interest on the sum of £78,675.84p between the dates of 12 October 2023 and 14 November 2023.

Mr S agreed with the investigator on behalf of E, but Barclays did not and requested an ombudsman review the complaint. Barclays said E's funds were client funds held in a client account, they did not belong to E and so it is unsure why the interest is added on these funds. Barclays acknowledged that a director had to provide a loan to stabilise E's finances, but it is unsure how this was related to the delay in returning the client funds, as these funds would never have been available to use for business cashflow. Barclays also said its offer of £500 compensation was reasonable.

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.

Mr S said that E had the required account protection in place to meet the Barclays' criteria, and so as a qualified and regulated business its accounts should never have been closed. He said Barclays never responded to this complaint. Mr S said E's account was closed without warning and the firm was left in shock about what had happened.

Barclays wrote and told E that it was closing its client account as it couldn't verify that it meets its criteria for holding client money. It said it needs to do this to fulfil requirements to help prevent financial crime.

Barclays is entitled to decide whether to offer and maintain banking facilities to customers, and decided to close E's accounts. From what I have seen of the records, Barclays provided notice of this to E according to the timescale set out in terms and conditions of the account. And so I do not agree with Mr S that E's accounts were closed without proper warning.

I do agree with Mr S and the investigator that Barclays took too long to release the payment of E's account balance. I can see that significant inconvenience was caused to E, primarily in trying to trace the funds and reassuring customers about its financial situation.

It's generally accepted that a business isn't able to experience the trouble and upset that an ordinary consumer can. So, unfortunately for E's representatives, I won't award compensation for what they have suffered in terms of the 'grief' Mr S has mentioned. However, a business can be inconvenienced, and Barclays has acknowledged that this happened when it rejected the cheque it drew for E's account balance.

Mr S says E was treated unprofessionally by Barclays and this could have caused E to lose a third of its business. Our service does not award compensation for what might have happened to a complainant, but we look at the actual detriment suffered and try to reflect this in any award that we make.

Barclays has said its error has been time consuming and frustrating for those connected to E. Fortunately the delay in the payment of the account balance to E lasted weeks rather than months, but nevertheless it caused significant disruption to its business operations. In that respect I think payment of £750 compensation to E would be fair and reasonable compensation for having to deal with the problems Barclays caused. Barclays questions the investigator's addition of interest for the period the cheque funds disappeared. Barclays said the funds didn't belong to E and weren't available for use as business cashflow, so why was interest added. Mr S responded that 12% of the funds represent E's management fees and this was available to E. He also makes the point that were not it not for a fellow director's loan E would have been in great difficulties.

It is clear that E lost the use of its account funds for a period, and that some of these funds were proper to the company rather than to clients. E had to obtain alternative funding and lost the interest that would have been earned from Barclays on the account. From E's account

statement I can see that it would have earned interest at 1.3% on these funds and so I think it would be fair for Barclays to pay E interest at this rate for the period when the funds weren't available due to Barclays actions.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld. I require Barclays Bank UK PLC to pay E £750 compensation for the inconvenience its poor service regarding the cheque payment caused.

I also require Barclays Bank UK PLC to pay E 1.3% gross interest on the sum of £78,675.84p between the dates of 12 October 2023 and 14 November 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 25 June 2024.

Andrew Fraser
Ombudsman