

The complaint

A company, which I will refer to as B, complains about the way Barclays Bank UK Plc carried out a Know Your Customer (KYC) review.

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

I am aware that Mr B is also unhappy about the actions of Barclays Bank Plc (trading as Barclaycard), but this complaint is solely about the actions of Barclays Bank UK Plc in respect of B's bank account.

What happened

Mr B told us:

- B's Barclays account had been perfectly maintained for 20 years, but it was forcibly closed without sufficient notification.
- He resents Barclays' "system of threats", and he considers that the main aim of Barclays' KYC exercise was to collect information for marketing purposes.
- Barclays did not give him two months' notice to close B's account. If it had done so, then he could have used the switching process to open an account elsewhere – and relevant data would have been transferred to the new bank.
- He would like a ruling that the KYC refresh procedure has been poorly thought through and conducted.

Barclays told us:

- It wrote to B asking for information on 21 July 2022, 25 August 2022, 1 June 2023 and 5 July 2023, then sent a 15-day Notice to Close on 7 July 2023. All letters were sent to the address it had on file for B.
- It closed B's account on 25 July 2023, and sent a cheque to B's business address for the closing balance. That cheque was paid into an account with another bank on 19 September 2023.

One of our investigators looked at this complaint, but did not uphold it. He recognised that Mr B had been out of the country for long periods and had suffered poor health, but ultimately he thought Mr B could have provided the information Barclays had asked for within the time limits Barclays had given. He therefore thought Barclays had acted fairly in closing B's account.

Barclays accepted our investigator's findings, but Mr B did not. The matter was therefore referred to me.

My provisional decision

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

“[M]y provisional findings are:

- Barclays was in principle entitled to close B’s account – but it was wrong to close the account as early as it did.
- Barclays’ error did not cause B to suffer material financial loss, but it did cause inconvenience. Barclays should pay £50 to compensate B for that inconvenience.

I give more details about my findings below.

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 the KYC review in this case. I acknowledge that B is a micro-enterprise, and that the amounts going through its Barclays account were small. But Barclays has obligations in respect of all of its customers, not just those over a certain size.

I understand that Mr B does not in any way object to Barclays’ compliance with the relevant legislation – but he does not accept that the form it sent him does anything to assist the bank with that compliance. His view is that the main aim of the KYC exercise was to collect information for marketing purposes.

I am also aware that Mr B disagrees strongly with the way Barclays has chosen to carry out its obligations (he has described its process as “a sledgehammer to crack a nut”) – and he has also asked for a ruling that Barclay’s KYC procedure has been poorly thought through and conducted. But as an ombudsman (and not a regulator) I cannot investigate a bank’s processes more generally. I can only issue determinations on the individual complaints referred to me.

Here, Barclays asked Mr B to fill in a form giving it information about his business. I think that was a reasonable thing for Barclays to have done, and it is also a very common thing for banks in Barclays’ position to do. Mr B did not fill in the form – indeed he made very clear that he was not prepared to do so – and so Barclays closed B’s account.

I am not certain whether Mr B was refusing to fill in the form because he was unable to do so, or whether he was simply unwilling. It appears to have been a little of both. In the beginning, Mr B must have been willing to at least consider filling in the form, or he would not have put himself through what he describes as “impossible waits” to speak to Barclays over the phone on its KYC helpline. He also says that when he tried to access the form “none of my computers” would enable him to see it – which suggests that he made multiple attempts over at least two different computers. But his initial willingness to co-operate appears to have dissipated as he became increasingly frustrated with Barclays’ process.

Ultimately, given that Mr B was not prepared to answer Barclays’ questions I think Barclays was entitled to close B’s account. Mr B had made clear that he was not willing to fill in the form, Barclays was not willing to keep the account open without

the information it had asked for, and it resolved the impasse by closing the account. The account's terms and conditions allow Barclays to do that – but I must still consider whether it acted fairly.

Barclays says it sent a 15-day notice to close on 7 July 2023. On balance, I am satisfied that it did send that notice – the evidence Barclays has provided is sufficient to persuade me that it sent the notice to the correct address.

However, I note that the bank's terms and conditions say that it will usually give two months' notice before closing an account. The terms do allow Barclays to close an account with less notice (or even immediately) in some circumstances, but here Barclays has not yet provided me with any evidence that persuades me that it was fair for B's account to be closed with less than two months' notice. Both parties now have an opportunity to provide further evidence, and I may change my mind on that point (or on any other) in the light of further comments that reach me by the date shown at the top of this provisional decision.

Putting things right

I have no power to fine or punish Barclays. I can understand why Mr B might want me to make a significant financial award, particularly in light of my finding that Barclays made an error. But I only have the power to award compensation where I am satisfied that the bank's error led to the complainant suffering a loss – and even then I can only make an award with the aim of putting that loss right.

Closure of a bank account is a significant step, which can have a very large impact on the account holder. Here, the impact was relatively limited because the balance of the account was so small (in Mr B's own words, it was "a tiny amount of money"). In that context, I don't think it would be fair for me to conclude that B suffered material financial loss as a result of the shorter notice period. But I do think B suffered some inconvenience, and Barclays should pay compensation as a result.

Mr B has said that if the notice period had been longer, he would have been able to use the switching service to move to another bank – and if he had done so, certain payment information would have been transferred. Given overall circumstances here, I think it is unlikely that there were many regular payments, and so I think the inconvenience caused would have been relatively minor. I therefore propose that Barclays should pay B £50 to compensate for that inconvenience.

To be clear, my proposed award is not because Barclays closed the account, or because Mr B was put to the inconvenience of opening an account elsewhere. Mr B was clearly not prepared to fill in Barclays' form, and so the account would have been closed at some point in any event. In my view, Barclays' error was not in closing the account – its error was in not giving B enough notice. The compensation I am proposing is solely for the additional inconvenience B suffered because it had less than two months' notice of the impending closure."

Both parties confirmed receipt of my provisional decision.

Barclays agreed with the resolution I proposed in my provisional decision.

Mr B wanted to make clear that although he was refusing to give information in the method it was requested – that is, through Barclays' online form – his position is that he had already provided all normal business information in an October 2022 letter that Barclays consistently refused to acknowledge. He also wanted to make clear that Barclays was wrong not to

inform him of the account closure, and that the alleged 15 day notice was strongly disputed.

Mr B acknowledged that there are limits on my powers to make financial awards, but he considered that there was room for my findings to be both more accurate and more critical of Barclays.

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. My reasons are as set out in my provisional decision and expanded on below. I now confirm those provisional findings as final.

It is clear that Mr B and Barclays disagree about the amount of information Barclays needed to carry out its KYC process. It appears that Mr B never got as far as viewing the form Barclays wanted him to complete, so he doesn't know exactly what the bank's questions were. But I still see nothing wrong in the way that Barclays decided to carry out its KYC review of Mr B's account.

I acknowledge that other banks also have KYC processes, and I would be very surprised indeed if the bank that now provides B's banking services did not carry out its own KYC review before accepting B as a customer. It is possible that the other bank asked for less information than Barclays (or, alternatively, was proactively provided with the same information that Mr B gave to Barclays and then chose not to request anything further). But that doesn't show that Barclays made a mistake in its own KYC process. Banks have considerable discretion about the way they go about complying with their obligations, and that means that different banks may choose to ask different questions. I am only looking here at what Barclays did, and I think that Barclays' actions in respect of its KYC review were fair and reasonable.

I am also satisfied that it was fair and reasonable for Barclays to take the decision to close B's account once it became clear that Mr B was not prepared to co-operate with its KYC review. However, for the reasons I gave in my provisional decision, I don't think Barclays gave B's director enough notice of its intention to close B's account.

I've carefully considered Mr B's response to my provisional decision, and I know that he is not persuaded that Barclays gave any notice at all (15 days or otherwise) of its intention to close B's account. I also know that he would prefer that I fully investigate exactly what did happen in respect of notice. I'm sorry to further disappoint him, but I'm satisfied that I don't need to carry out a full investigation on that point in order to fairly resolve this complaint.

Barclays told us that a third party acting on its behalf sent a Notice to Close letter to Mr B on 7 July 2023. I have seen Barclays' audit history, and on balance I am satisfied that that letter was sent. However, regardless of whether Barclays did or did not issue a 15-day notice to close, it certainly did not give the two months' notice required by the terms and conditions of B's account. I therefore remain satisfied that Barclays should pay compensation to B for the inconvenience caused by not giving B sufficient notice.

Similarly, there is disagreement between Mr B and Barclays about text messages that Barclays sent (or says it sent) to Mr B over the relevant period. But again, I don't think I need to make findings about text messages in order to fairly reach the conclusion that Barclays did not give Mr B sufficient notice of the account closure. As an ombudsman, I am required to reach an outcome that I consider is fair and reasonable in the circumstances of the

complaint, but I am not required to make findings as to exactly what did happen if I am satisfied that I can fairly resolve the complaint without doing so.

Finally, Mr B has said that credits made to B's account after the closure have gone missing. Barclays has said that if there were any attempts to pay money into B's account after the closure, those funds would have been returned to the senders – and that Mr B should therefore contact the senders directly. I consider that Barclays' position on that point is reasonable. If Mr B is still unable to trace the funds even after contacting the senders, he may be able to raise a further complaint with Barclays and then with our service.

Putting things right

I consider that Barclays should pay B £50 to resolve this complaint.

My final decision

My final decision is that I uphold this complaint. I order Barclays Bank UK Plc to pay £50 to B.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 31 May 2024.

Laura Colman
Ombudsman