

## **The complaint**

A company, which I will refer to as B, complains that Barclays Bank UK Plc wrongly closed its bank accounts.

Mr C, one of B's directors, represents B in this complaint.

## **What happened**

Mr C told us:

- In early 2023 he received an online notification to update his business details with Barclays. The main problem was that the bank's records showed B's other director's maiden name rather than her married name. He updated the record, and the notification disappeared – only to return in early April.
- He went to his local Barclays branch and a member of staff helped him update the records for the other director's name. The notification went away, but then reappeared for a third time. He went back to the branch and spoke to the same person, and again she helped him update the records. He also left a copy of the other director's marriage certificate with the bank.
- In September a further message appeared on his computer screen telling him that unless his business details were updated B's account would be closed. He spoke to the same staff member at his local branch again, and she assured him that Barclays had all the relevant details.
- On 3 October 2023 Barclays closed both of B's accounts, retaining all of B's money for itself.
- He went back to his local Barclays branch and spoke to the same member of staff again. She could only provide limited help, but eventually he was able to speak to a different Barclays employee on the phone. That person told him that a mistake had been made and B's accounts would be re-opened that same day.
- B's accounts were not re-opened on the same day, and in fact re-opening took around six weeks – and many visits to his local Barclays branch and many phone calls.
- His business usually takes both cash and card payments from its customers, but after B's bank accounts were closed there was no bank account for the card company to forward the money to. That meant the card company stopped the use of the card machine, making his business cash only – meaning that B lost around a third of its weekly revenue. After a week he was able to divert the card payments to another account he had, but by that point the damage was done, with many customers taking their trade to other businesses which could accept card transactions.

- It has taken him a lot of effort to get B's trade level back up to where it was prior to the accounts closing and card transactions ceasing. He estimates that B suffered a financial loss of £2,966 as a result of the closure of its business accounts with Barclays.
- The associated stress worsened his health, and he would like to be compensated anxiety and hardship he has faced.

Barclays told us:

- When it issued its final response to B's complaint, in November 2023, it said "we have closed your account in error" and offered £100 in compensation. However, the closure was not in fact an error – the closure was the result of the bank following its Know Your Customer (KYC) review process correctly.
- B's account was subject to what Barclays calls "repairs" – that is, further action was required to ensure that the account was compliant with the bank's KYC requirements. B did not respond sufficiently to the repairs, and so B's accounts were closed in accordance with its process.
- The complaint handler who initially looked at this case (and issued the November 2023 final response) thought that the repair the bank had wanted was to change the name of one of B's directors from her maiden name to her married name on its records. But that was not the problem – that director's name had been showing as her married name on Barclays' systems for some years. The repair needed was for the directors' names on Barclays' systems to match the directors' names as at Companies House. Given that both directors' names were correct on Barclays' systems, that meant the directors needed to update Companies House's records rather than Barclays. They did not do that until after the accounts had been closed.
- It accepts that B's directors were misinformed about how to comply with the KYC process, but it considers that the £100 in compensation that it has already offered is fair and reasonable in the circumstances. It has not considered B's claim for financial loss, because its terms and conditions say that does not compensate for loss of business in any circumstances.

One of our investigators looked at this complaint and recommended that it be upheld. Briefly, she said:

- Barclays was entitled to carry out a KYC review in order to comply with its legal and regulatory obligations.
- She was satisfied that Barclays had acted reasonably during the KYC review itself. In particular, she thought it had clearly explained on 15 May 2023 that it needed B to update the name of one of its directors on Companies House.
- However, she didn't think Barclays had issued appropriate notice to say that it intended to close B's accounts. She acknowledged that the bank had told us that it had given notice – but it hadn't been able to provide supporting evidence. So, she concluded that the bank was wrong to close B's accounts.
- Overall, she thought Barclays should pay £250 for the inconvenience caused to B, plus £500 for the financial loss B suffered, plus interest on the closing balance of B's account at a rate of 8% per year simple from 3 October 2023 (the date the accounts

were closed) until 9 November 2023 (the date they were re-opened).

Barclays then provided further evidence suggesting that it had sent B a Notice to Close in January 2023. In light of the bank's further evidence, our investigator accepted that it had told B that it intended to close B's accounts in March 2023. However, she thought that Barclays' letter to B of 31 May 2023 – which said “if we don't hear back from you in the next 10 working days, we **may** [my emphasis] give notice to close your account” – effectively withdrew any Notice to Close given in January 2023. She acknowledged that Barclays had written to B on 20 August 2023 reminding the business of the imminent closure of its accounts, but nevertheless she said that Barclays did not give B the full 60-day notice period that it should have done. She therefore remained satisfied that Barclays made an error by not giving B the full notice period required by the terms and conditions of B's accounts.

Barclays said that it considered B should still have been reasonably aware that the bank was not satisfied with the information B had provided, and that the KYC process remained ongoing. It therefore remained of the view that it was led to the action of closing the accounts due to B's lack of engagement.

In addition, Barclays considered that our investigator had relied on one aspect of the bank's terms and conditions but disregarded another. On the one hand, she said the bank was wrong because it hadn't given the notice period required by its terms. But on the other hand, she said the bank should compensate B for its financial losses even though the bank's terms and conditions say the bank will not be liable for such losses. The bank also noted that B was able to take cash payments throughout, and said that B therefore would have, and reasonably should have, been able to serve every customer that sought custom over the relevant period.

Our investigator was unable to reach agreement between the parties, and so she referred the matter to me.

### **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, there is very little I can add to what our investigator has already said. I have reached the same conclusions she did, for broadly the same reasons. I explain further below.

I should first explain that my role as an ombudsman is to reach an outcome that I consider is fair and reasonable in all the circumstances. Barclays' terms and conditions are relevant considerations, but they are not determinative. I must also take into account the relevant law, regulations, regulators' rules and guidance and standards, relevant codes of practice, and, where appropriate, what I consider to have been good industry practice at the relevant time.

My opinion is that Barclays should not have closed B's bank accounts without giving the two months' notice required by the terms and conditions of the account. Closure of a bank account is a significant step, and I don't think it was right for Barclays to have closed B's accounts without giving two months' notice in a clear and unambiguous way. I acknowledge that Barclays did give notice in January 2023, but I think our investigator was right to say that the bank subsequently withdrew its notice. I am satisfied that the bank's later correspondence did not amount to a clear and unambiguous notice that Barclays intended to close B's accounts after two months. I therefore agree with our investigator that Barclays should not have closed B's accounts in October 2023.

## **Putting things right**

I have first looked at the issue of financial loss. I have considered Barclays' comments about its terms and conditions, but nevertheless my opinion is that it is fair and reasonable for B to be compensated for the losses that it suffered as a result of Barclays' error in closing its accounts.

Given the nature of B's business, I accept that some of its customers would have gone elsewhere if they could not pay by card. B might have been able to convert some card sales into cash sales, but I accept Mr C's argument that some potential card sales were lost as a result of Barclays' error. I do not agree that B would have been able to serve every single customer that sought custom if it was not able to take card payments.

Mr C estimated B's losses at £2,966, but our investigator was not persuaded that losses were so high as that. She noted that B's turnover may have reduced by £2,966, but that does not automatically mean that B suffered £2,966 of losses. If B sold fewer goods while its account was closed, those goods would still be available to sell later. In any event, given the evidence available to her she thought it was more likely that B's overall turnover was down by around £1,100 over the relevant period as a result of the bank's errors. But she didn't recommend an award of £1,100, because she didn't think that loss of turnover implied a financial loss of the same amount.

Overall, our investigator estimated B's financial loss as £500 plus interest at 8% per year simple on the closing balance of the account for the period B didn't have access to its money (that is, interest at 8% per year simple on £4,955.95 from 3 October 2023 to 9 November 2023). Neither party has provided any evidence or arguments that persuade me her estimate was unfair.

Moving on to the issue of inconvenience, our investigator thought that a payment of £250 would be fair for the inconvenience caused to B. Mr C disagreed, because he wanted to receive compensation for the impact this problem had on him personally.

I was very sorry to hear about Mr C's poor health, but our investigator was right to say that the Financial Ombudsman Service can only make an award to the complainant – which in this case is B, Barclays' limited company customer. The account at the centre of this dispute belonged to B, and not directly to Mr C. That means I have no power to consider the impact on Mr C as an individual.

Looking at the matter as a whole, I consider that it is fair for Barclays to pay B:

- £750 in respect of financial loss and inconvenience; plus
- Interest at 8% per year simple on the balance of B's closed account, calculated from 3 October 2023 to 9 November 2023.

## **My final decision**

My final decision is that I uphold this complaint and order Barclays to pay compensation to B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 30 December 2024.

Laura Colman

**Ombudsman**