

The complaint

Mr A is unhappy that Barclays Bank UK Plc failed to return money to his account following a transfer error.

What happened

On 8 November 2022 Mr A received a credit to his Barclays account for around £11,000. The following day, £12,000 was moved from Mr A's account and sent to a third-party account. Seven months later, in June 2023, Mr A told Barclays he didn't authorise this payment.

Barclays investigated Mr A's claim but ultimately rejected it as it didn't feel there was sufficient evidence to support that the payment had been carried out without his knowledge or authorisation. Mr A did not raise this issue as part of this complaint so it's not being considered here.

In August 2023, in error, Barclays credited Mr A's account with the £12,000 it had been investigating. Shortly after this Mr A sent this entire amount, plus an additional £7,000 of his own money from his Barclays account to another account in his name with a different bank. This transfer was £19,000 in total.

Barclays' records show it contacted Mr A the day he moved the money to tell him the £12,000 had been sent to him in error and the money would need to be returned. Its records show Mr A refused to do this. Barclays allowed Mr A a further 10 days to return the money. It also debited £12,000 from Mr A's account on 8 September 2023, increasing the overdraft from £893 to £12,893.

When the money wasn't returned to Barclays after 10 days it approached the third-party bank Mr A had sent the money to directly and requested the return of the funds. The third-party bank returned £17,009.39 on 22 September 2023 and this money was placed into a holding account with Barclays rather than Mr A's own account. Because of this Barclays wasn't aware the funds had been returned.

As Barclays and Mr A believed the money hadn't been returned, Barclays held Mr A liable for the overdraft of over £12,000. In December 2023 Mr A took out a debt repayment loan of £11,800 with Barclays to repay the overdraft.

Mr A – believing the funds had gone missing - complained to Barclays about the fact that the money had been transferred to him in error. Barclays responded on 6 September 2023 and apologised for the error. But, it maintained that the £17,009.39 had not been returned to it and he would need to speak to the third-party bank he sent the money to. It offered him £200 for the distress and inconvenience caused by the initial error.

Mr A was unhappy with this and brought the complaint to our service. Through this complaint, and another against the third-party bank that returned the funds, it was

established that the money had gone to a holding account with Barclays. It returned £5,009.39 to Mr A on 21 May 2024 and the remaining £12,000 was returned the next day.

Mr A didn't feel the £200 offered was enough compensation for the distress and inconvenience he had suffered as a result of believing the funds were missing and being deprived of them for several months. He continued the complaint with our service and said he felt £100,000 was appropriate in compensation for what he'd been through. He listed what he felt were direct impacts of the money being withheld for eight months. This included the breakdown of his marriage, his friends and family distancing themselves from him, over £29,000 in losses from a business he was unable to start/continue, equipment he needed to destroy and lost income.

Our investigator upheld the complaint in part. They felt Barclays should pay interest on the funds that genuinely belonged to Mr A for the period they were withheld from him. They also felt his credit file should be adjusted as though the money had been returned to him without delay and any fees or charges he wouldn't have incurred returned to him. However, they didn't feel Barclays needed to pay any further compensation as Mr A could've mitigated these consequences by returning the money at the outset.

Barclays accepted the investigators findings, Mr A did not as he felt further compensation should be paid to him. So the complaint has been passed to me to make a decision.

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.

As the fraud claim Mr A raised in June 2023 doesn't form part of this complaint, as a starting point, I've considered this complaint on the basis that Barclays' decision not to reimburse Mr A for the £12,000 transfer he's said wasn't carried out by him is the correct one. This means I've proceeded on the basis that Mr A was not entitled to the £12,000 Barclays transferred to his account on 2 August 2023.

When Barclays recalled Mr A's transfer of £19,000, £17,009.39 was returned to it - £12,000 that didn't belong to Mr A and £5,009.39 that did. This money should've been returned to Mr A's account on 22 September 2023 – the date the money was returned to Barclays. At this time, Mr A's account was overdrawn by £893. So had the money been returned when it should've been, his account would've had a positive balance of £4,116.39. As such, he was deprived of £4,116.39 from 22 September 2023 until the date the money was returned to him in full on 22 May 2024.

Mr A has said the delay in returning the money to his account has had a significant impact on his mental health and personal life. And I'm sorry to hear this. He believed around £17,000 had been lost and that he'd be liable for this and I can see that would've been very stressful for him. But I also have to take into account that Mr A's actions contributed to this situation. Mr A knew this money didn't belong to him. Barclays told him that £12,000 had been transferred to his account in error and needed to be returned. It then gave him a reasonable amount of time to return it.

Mr A chose not to do this. Instead he took the £12,000 and moved it to a different account in his name. Mr A has said he wasn't trying to withhold the money from Barclays – he needed to move it for various reasons relating to his business. But whatever his reasons, Mr A knowingly removed and held on to money after he had been informed he wasn't entitled to it. So he did, in fact, withhold the money from Barclays.

Mr A has provided considerable detail relating to the financial losses he has suffered as a result of being deprived of the funds for 8 months. But Mr A was aware only £4,116.39 of the money was his. The rest was money that belonged to Barclays. The costs Mr A has said he couldn't pay as he was deprived of his approximately £4,000 far exceed this amount. And in fact, far exceed the £12,000 mistakenly transferred to him. And whilst I understand there can be additional, consequential loss beyond these initial amounts, I don't think Mr A has provided persuasive evidence to support the losses he's described.

But even if he had, I don't think Barclays is solely liable for this situation or the losses that occurred afterwards. Barclays acted reasonably in this situation. It informed Mr A of its error quickly and requested the return of the funds right away. I don't think Mr A acted reasonably in this situation. It's not clear why he decided to move the money to another account or why he refused to return it to Barclays in the timeframe given when it was within his power to do so.

I think a significant part of the distress and inconvenience Mr A has suffered and has described has been caused by his actions – taking money he knew he wasn't entitled to and moving it to an account outside of Barclays. I accept that Barclays could've tracked down the money sooner once it had been returned to it. But the money wouldn't have been returned to the incorrect Barclays account if Mr A hadn't tried to withhold it.

Overall, I don't think Barclays needs to pay Mr A any more compensation. I'm aware it's previously paid him £200 to acknowledge the distress and inconvenience caused by incorrectly crediting his account with the £12,000 in the first place. I think this amount is sufficient overall, taking into account the delays in returning the funds to him. However, I think it should pay him interest on money that was rightfully his and that he was deprived of.

I also think Barclays needs to reimburse any charges or interest applied to the account in relation to the overdraft on the account from 22 September 2023 – the date Barclays received a return of the £12,000, until 22 May 2023. It's clear Mr A wouldn't have had such a significant overdraft and may have used the account differently had he had access to his money during this period.

Mr A took the loan out in December 2023 to repay the £12,000 overdraft, months after the money should've been returned to his account. So it's clear that had the money been returned he wouldn't have needed to take out this loan. As such, if it hasn't already, it should unwind the loan and adjust his credit file to reflect no loan has been taken out. It's my understanding that Mr A didn't incur any costs or interest in relation to this loan. But if he did this should also be refunded to him.

Putting things right

Barclays should:

- Pay Mr A 8% simple interest on the £4,116.39 Mr A was deprived of from 22 September 2023 – when Barclays received the returned funds and reasonably ought to have returned them to Mr A – until 22 May 2024 when all the money was returned to Mr A's account;

- Barclays should reverse any fees or interest incurred on the overdraft on the account from 22 September 2023 until 22 May 2024;
- Barclays should remove any adverse information from Mr A's credit file relating to his overdraft from 22 September 2023 until 22 May 2024;
- If it hasn't already, Barclays should unwind the loan of £11,800 taken out by Mr A, refund any costs relating to the loan and adjust his credit file to reflect it had never been taken out.

My final decision

I uphold this complaint in part and direct Barclays Bank UK Plc to pay Mr A the redress set out above. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 January 2025.

Faye Brownhill
Ombudsman