

The complaint

A company, which I'll refer to as S, complains about the closure by Barclays Bank Plc trading as Barclaycard (Barclays) of its account (the Account). S also didn't think Barclays were helpful when they declined its request to transfer the data of its customers to another merchant services provider.

In bringing this complaint S is represented by its director, who I'll refer to as Mr J

What happened

The background to the complaint is set out in my provisional decision dated 3 December 2024 which forms part of this decision.

I provisionally concluded that, S's complaint should be upheld, and that Barclays should pay S compensation as well as take other steps to put things right.

I said - in summary:

Were Barclays wrong to close the Account?

I agree with the investigator that in the same way a customer of a bank has the right to close its account with the bank, so too, subject to compliance with the terms and conditions regarding appropriate notice, a bank has the right to end its relationship with a customer by closing the customer's account.

Before Barclays closed the Account, I note they gave S appropriate advance notice of 60 days of their intention. I'm satisfied Barclays followed the correct process.

The investigator is right that Barclays didn't have to give a reason for their decision. But if they chose to tell S what the reason was, I'd expect what they said to be accurate.

But in relation to S, I'm not at present persuaded that Barclays gave S an accurate reason. I say that because the bank told S:

"It has come to light that your business is not on the FCA register and for businesses providing cover for home appliances this is now a policy requirement. Our policies within this trade sector have recently changed. Is this something that you would look to do?"

Mr J explained S did not need to be FCA registered and provided correspondence it had with the FCA to that effect. Moreover, he explained he had that discussion with Barclays at the time the Account was opened.

But after further exchanges of correspondence, Barclays did clarify their position to this effect:

"our current business policy is to close all merchants within this sector. This is regardless of whether it is an FCA requirement, this is our current business policy"

Barclays' have not shown us actual details of the policy which they are relying on. But in saying that I have no reason to doubt that what they've said is right. They've maintained that whether or not the relevant business is FCA registered, it is their policy to close merchants' account operating on the basis of providing cover for home appliances even though for such activity it needn't be FCA registered.

Barclays are entitled to take a commercial decision regarding the type of sector in which they wish to operate. And generally speaking, it's not my role to interfere with that judgement.

In the circumstances of this case, it does seem to me that Barclays were entitled to take the commercial decision to close the Account because they no longer wished to do business with merchants offering the particular service S was offering.

But it does seem to me that Barclays were unclear in the beginning and gave S the wrong reason for their decision to close the Account. Moreover, in their correspondence they seemed to offer S the possibility of the Account remaining open provided S was prepared to become FCA registered even though there was no such requirement. My present view therefore is that this was poor service by the bank.

On top of that, I note Barclays' acknowledgement that even though they agreed to extend the notice to close the Account by 14 days to 19 May 2023, in error they closed it before the extended deadline. That was poor service too, but the bank did re-open the Account shortly afterwards – on 9 May as explained above.

My understanding is that Barclays did pay S the compensation noted above. Furthermore, they have accepted the investigator's recommendation for an increased amount for inconvenience and interest which the investigator also recommended. So, the issue I have to consider is whether the compensation fairly reflects the impact of the bank's errors on S. But before I come to that I'll address the issue surrounding the transfer of S's customer data to S's new merchant provider which Barclays said it couldn't.

Transfer of data

In this connection also, I've noted Barclays' position that doing as S had requested would have contravened their policy.

We have not seen details of the actual policy to which Barclays referred. But that being said, evidence that I've seen from the bank's internal records suggest it was not because of any contravention of a policy that meant such transfer could not take place.

The bank's records seem to indicate that the transfer of the data of S's clients was simply not technically possible for Barclays themselves to undertake. In particular, they would have needed to rely on a third party to do this, but the third party's system was unable to undertake that work. The evidence seems therefore to point to the true reason being that it was simply not technically possible for the bank to do this rather than because of policy constraints. It is difficult to understand the bank's initial suggestion to that effect. I turn now to the question of compensation.

To begin with, although S maintained it has been impacted financially by Barclays' actions, I haven't been presented with any evidence indicating S has incurred any financial loss arising from anything the bank did wrong. Barclays have shown evidence that they reimbursed the fees they charged on the Account from May 2023 to February 2024 this being the period when the Account was not in use. And I agree with the investigator, they should also pay interest on those fees at 8%.

I've also thought about S's legal costs and its belief that Barclays should cover them in full. But I'm not intending to direct Barclays to do so.

Whilst I understand why Mr J instructed solicitors to help with the bank's refusal to transfer S's customer data to his new merchant acquirer, and Barclays decided to cover some of those fees, I don't think I can fairly say the bank had an obligation to do so. I say that because it was S's decision to incur legal fees in the pursuit of possible legal action against the bank. I cannot fairly say at present that it was necessary for S to do so. Besides, in the end, it doesn't appear there was actual litigation. So, although I appreciate the bank made its decision to pay some legal fees, I don't think I could reasonably require Barclays to bear S's solicitors costs, whether fully or in part.

I also note Mr J's submissions to this service about how Barclays' actions have impacted his mental health. I sympathise with Mr J in that regard. However, because this complaint has been brought to this service in the name of S, the limited company, and the eligible complainant in this instance, I can only consider how S has been impacted by the events in question. I'm unable to consider any impact that Mr J may have experienced himself in a personal capacity.

Mr J has submitted that S has had to dedicate a substantial amount of time in dealing with all of the issues mentioned above. Including having to communicate with its customers through multiple text messages, emails, and letters to help them to update their payment methods and bank details with S's new merchant acquirer. I'm satisfied S was therefore inconvenienced.

But it's important to note that some of that inconvenience inevitably resulted from the closure of the Account. And since I don't think it was wrong for the bank to do so, I don't think it would be fair to award compensation for any inconvenience caused by that alone.

However, as I noted Barclays were responsible for errors in that process, including closing the Account earlier than they'd promised. Evidence I've seen shows that S had explained to the bank that it needed the extension to 19 May to enable it to complete all the work associated with getting its business up and running with the new merchant acquirer. I can appreciate this was likely impeded in the days between 5 and 9 May when the Account was closed and then reopened.

I've also found that S was given incorrect reasons behind the bank's decision to close the Account. And this led to unnecessary correspondence between S and Barclays as S sought to demonstrate to the bank's satisfaction that it did not need to be FCA registered.

Against that background therefore, I've thought about the inconvenience incurred by S as a limited company by having its director's time taken up dealing with those errors. I've also thought about the general framework which this service considers when arriving at compensation amounts for trouble and inconvenience – further details of which can be found on this service's website. And, having considered these factors, I feel that a total compensation amount of £500 is fair and reasonable.

What happened after my provisional decision

Barclays accepted my provisional decision. But S didn't respond.

Barclays said they have already refunded all the charges that were debited to the Account in May 2023 with interest at 8% and that they have also refunded all the charges that were similarly debited to the Account between June 2023 to January 2024.

In addition, Barclays have agreed to do the following:

- calculate and pay interest at 8% on the refunded charges that were debited between June 2023 to January 2024;
- pay £500 for inconvenience in line with my recommendation;
- honour their offer to pay £1,080.00 towards S's legal costs.

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, and since there is no new evidence or arguments for me to consider that might have led me to come to a different conclusion to that which I set out in my provisional decision, I believe my provisional decision still stands. In other words, my final decision is the same as my provisional decision.

Putting things right

Barclays should do the following:

- calculate and pay to S, interest at 8% on the charges that were debited to the Account between June 2023 and January 2024 that have since been refunded; and
- pay S £500 for inconvenience.

I acknowledge Barclays have agreed they will abide by their offer to also pay S, £1,080.00 by way of a contribution towards S's legal costs. As this was no part of my recommendation to Barclays to settle this complaint, I shall leave it to S to decide whether to accept the offer made by Barclays.

My final decision

My final decision is I uphold this complaint. In full and final settlement, I require Barclays Bank Plc trading as Barclaycard to:

- calculate and pay to S, interest at 8% on the charges that were debited to the Account between June 2023 and January 2024 that have since been refunded; and
- pay S £500 for inconvenience.

And since Barclays Bank Plc trading as Barclaycard have agreed to abide by their offer to pay S, £1,080.00 by way of a contribution towards S's legal costs, it is now for S to decide whether to accept the offer

Under the rules of the Financial Ombudsman Service, I'm required to ask S and S to accept or reject my decision before 16 January 2025.

Asher Gordon

Ombudsman