

The complaint

V complains that Barclays bank UK PLC blocked and subsequently closed its accounts. V would like compensation.

V is represented by its director Mrs L.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

V had accounts with Barclays in particular a business current account and a savings account.

In November 2022 Barclays blocked V's accounts. Mrs L has said she wasn't able to access online banking or use the mobile app.

Mrs L has said that Barclays told her payments had been made into V's savings account and they would need to review the account.

Mrs L has said that during the time of the block between 8 November and 30 December V lost around £5,000 in turnover.

Mrs L has said that she decided to open another account with a different bank and carry out a switch.

Barclays wrote to V on 18 December 2022 to say that they had decided to close its accounts with immediate effect. As such Mrs L was unable to use the switch service and had to move all payments to the new account manually. She said she had problems because of the postal strikes.

Barclays closed the savings account and moved the balance to V's current account. Barclays carried out a further review and decided to rescind the closure of the current account on 30 December 2022 and the block on the account was lifted.

Between 4 January 2023 and 18 January 2023 Mrs L transferred all the funds out of the current account and left a nil balance in the account.

Barclays didn't let Mrs L know that the account would remain opened and as a result V incurred charges and fees.

Following V's complaint Barclays offered £200 compensation and a refund of £17 account fees. The compensation was later increased to £250.

V wasn't happy and complained to our service. One of the investigators looked into the case. She thought Barclays were entitled to block and review the account. She thought as Mrs L hadn't been told that V's current account would remain open, she recommended Barclays should pay V £350 comprising the £250 previously offered by Barclays and a further £100.

Barclays should refund the fees and charges incurred on the current account amounting to a further £34 and 45p debit interest. She said no adverse information should be recorded due to the account fees debited. She didn't think V had sufficiently shown that it had incurred losses as a result of the block between 8 November 2022 and 30 December 2022. Or any losses between 30 December 2022 and 4 January 2023.

B agreed with the view they said the current account had now closed and they confirmed no adverse information had been recorded against V.

Mrs L representing V was unhappy with the view. She said the block and freeze of the account was inconvenient and had an impact on the business and on her mental health. She said the damage to trading was done before the Christmas period.

As there was no agreement the matter has come to me to decide.

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.

Review

I'll start by setting out some context for the review of V's accounts. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations.

Businesses have legal and regulatory obligations they have to meet, and they have processes in place in order to meet these obligations. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. To comply with its obligations Barclays may need to review an account and/or restrict its customers' access to accounts and funds held within them. Barclays' terms and conditions also allow it to suspend or restrict the use of an account in certain circumstances. So, our role in cases like this one, is to look at whether the business has followed its own internal procedures correctly, while also meeting its legal and regulatory obligations.

Barclays continued to process direct debits and credits. But mobile and internet banking was not available.

Mrs L has said that there was no notice given of the impending review. I can see how having notice of a review taking place would have been helpful. But banks have no obligation to notify their customers that they are going to undertake a review of their account. So, I don't think Barclays have been unfair by not giving V prior notice of the review.

Based on the evidence I have seen, some of which was shared with us in confidence and which I can't share with V, I agree that Barclays was complying with its legal and regulatory obligations when it decided to review V's accounts. So, I don't think it was acting unfairly or unreasonably. And I agree that it isn't under any obligation to tell V why it decided to do this.

Closure

Barclays decided to close the account with immediate effect and sent Mrs L a letter dated 18 December 2022. The savings account was closed on the same day and the funds were transferred to the current account.

Barclays continued to review the account and on 30 December 2022 decided to rescind the decision to close the account. From the information I've seen on file Mrs L wasn't told that Barclays had changed their mind and that V's current account would now remain open.

Mrs L has said that she was concerned at the way the account review was handled and therefore she decided to open a different account with another bank.

Barclays recognised that they had made an error and caused confusion by deciding to keep the account opened but not communicating this to Mrs L. They offered compensation first of £200 and then of £250. Our investigator thought £350 was fairer. Having looked at the evidence I agree as Mrs L had to deal with a lot of miscommunications from Barclays.

I think Barclays should have let V know that it had decided to keep the account open. Mrs L had by then opened another account for V. And early in January 2023 had moved the funds remaining in the Barclays account to V's new business account with another bank. The consequence was that the Barclays account continued to accrue business account fees, and this put the account in overdraft. Barclays have agreed to correct any adverse credit entries and I think this is fair.

Barclays also credited the business account with £17 to cover the business account fees for two months. However, I agree with the investigator that Barclays should cover the fees incurred from 30 December 2022 when Barclays decided to keep the account opened until the date it closed the account on 10 July 2023, a further four account fees totalling £34.

Trading Losses

Mrs L has told us that V lost money in the run up to Christmas because of the account block. She explained that the account block came at the worst possible time for V's business as it was in the run up to Christmas. The account block meant that V wasn't able to buy extra stock which it could have then sold easily in the run up to the festive season. This would have resulted in better trading figures and profit for that period. She has estimated the losses at around £5,000. In addition, Mrs L said that some of their suppliers are small businesses themselves and it was difficult not to be able to pay them. She has mentioned this damaged V's reputation.

I thank Mrs L for her comments. I appreciate this was a difficult time for the business. Having said that Barclays were entitled to review and block V's account, and I've already said Barclays didn't do anything wrong in doing so. I can't therefore hold them responsible for V's trading losses at the time of the block. So, I won't be asking Barclays to compensate V with £5,000.

Mrs L has mentioned that the block and the issues for her business caused her mental health issues. I should add that I can't make an award for the distress Mrs L experienced here. Barclays' customer is V, not Mrs L. Because V is a limited company, it cannot feel distress. And our service can't award compensation for distress experienced by Barclays' customer's directors or employees personally. However, I can make an award for any inconvenience V experienced as a result of Barclays' error, such as V's director's attention being diverted away from the regular business duties. And in this case, I accept that this issue would have caused V a degree of inconvenience. As its director had to take time away from the business to go into branch and had to deal with certain amount of misinformation as I've mentioned above. I think the £350 compensation previously mentioned is reasonable in the circumstances.

I accept that Mrs L had to transfer the account direct debits etc manually instead of being able to use the switch system. I appreciate this was inconvenient and caused Mrs L to spend

a lot of extra time to do this. However, Mrs L chose to open another account for V when Barclays were carrying out a review. Barclays were entitled to carry out the review and there were no delays, so I can't hold them liable for the time Mrs L had to spend setting up the new business account.

The investigator has said V should be refunded 45 pence in debit interest and I agree.

My final decision

For the reasons stated above I partially uphold this complaint. I direct Barclays Bank UK PLC to pay V

- £350 for the inconvenience caused to V for its misinformation and in particular about the account closure and the removal of the block.
- Refund or waive £34 in fees for the period the account was opened between 30 December 2022 and 10 July 2023.
- Remove any adverse credit file information due to the current account fees being debited.
- Pay 45 pence in debit interest.

Under the rules of the Financial Ombudsman Service, I'm required to ask V to accept or reject my decision before 23 August 2024.

Esperanza Fuentes
Ombudsman