

The complaint

A charity, which I will refer to as R, complains that Barclays Bank UK Plc closed its bank account without giving appropriate notification.

What happened

Barclays told us that it wrote to R on several occasions requesting the information it needed to carry out a 'Know Your Customer' (KYC) review. It did not receive the information it requested, and so ultimately it decided to close the charity's account.

The charity's representatives told us:

- They did not know that Barclays had written to them. Barclays had many opportunities to inform them that it needed information, and to warn them about the impending closure – particularly when they called the bank for other reasons – but it did not do so.
- When they called the bank after the account was closed it promised to reopen R's banking facilities, but then it failed to do that.
- Barclays' actions had a significant impact on R. More than £30,000 of its funds were effectively frozen for months, and its reputation was tarnished for no reason.
- Although Barclays says that R's account was closed because of its KYC process, they suspect there may be another reason, such as ethnic profiling or distrust.

One of our investigators looked at R's complaint, but he did not uphold it. He explained that UK legislation and regulation place extensive obligations on banks like Barclays to know their customers, and that those obligations apply to both new and existing customers. Barclays could face significant consequences if it fails to comply with its obligations. So he thought it was fair for Barclays to want information from R's trustees, and to close R's account if it did not receive that information.

R's representatives did not agree with our investigator. They said:

- Barclays clearly made an error when it said that it had put limits on their debit card – because their account did not have an associated debit card.
- They thought it was wrong for Barclays to attempt to communicate with them solely through letters, while neglecting other communication methods. They also said that a member of Barclays' staff reassured them that R's account would be reopened once they provided the needed documentation – but they were then told that that would not be possible. They consider Barclays' behaviour in respect of the attempt to reopen their account raises issues of discrimination.
- They are particularly alarmed by Barclays' claim that it sent an email to one of R's trustees in May 2023. That email was sent to the trustee's account at a former

employer. The trustee says did not provide that email address to Barclays, and he is concerned about how the bank could have got hold of it.

- Barclays did not provide two months' notice before closing the account. If it had done so, they could have secured another account before the closure and managed the transition effectively.

R's representatives asked for the matter to be referred to an ombudsman.

After our investigator issued his opinion, Barclays provided additional evidence. Briefly, it told us:

- It sent an initial outreach letter to R in October 2022, followed by reminders in November and December 2022. It then sent a notice to close on 19 January 2023, explaining that it intended to close R's account in two months unless it provided its latest business details. It provided us with a copy of the notice to close letter.
- The account didn't close in March 2023, because the bank decided to give R additional time to respond. It issued a further letter on 4 May 2023, with the heading "Please provide your latest business details or we'll increase restrictions on your account". It also said that if the bank hadn't heard from R within 30 days of 4 May 2023, "we'll also need to let you know if we're planning to close your account". Again, Barclays provided us with a copy of that letter.
- Email and InApp notifications were sent to R on 23 May 2023, advising that the bank would continue with the closing of the account if no response was received. (The bank has not provided us with copies of those messages.)
- It applied blocks to R's online banking and authentication card (not debit card) on 7 June 2023. This was to prompt contact. But as no contact was received, R's account was closed on 29 June 2023.

Barclays then decided to make an offer to R. It maintained that it had made sufficient efforts to engage R in its KYC process, and it denied that the account closure was in any way related to ethnic profiling or distrust. However, it accepted that although gave notice that R's account was to close on 20 March 2023, it did not in fact close the account until 29 June 2023. It also said that it gave further notice in May 2023 but did not specify an account closure date. In the circumstances, it offered to:

- Reopen R's account, subject to KYC being satisfied.
- Pay £400 in compensation for inconvenience.
- Pay interest of 8% simple on the balance of the account from 29 June 2023 to 10 August 2023 (that is a six week period, which the bank considers a reasonable period to make arrangements elsewhere). It said that interest would amount to £299.60, subject to tax being deducted.

R's representatives said that they would like to reopen R's account with Barclays. They said they had already completed the KYC process, and they believed that Barclays had already accepted the documents they submitted through the secure link it provided. However, they did not accept Barclays' offer to pay £400, because R's losses exceed £10,000. In addition, they considered that interest should be paid up until 20 November 2023, on the grounds that they were only able to open a new account for R on 14 November 2023.

My provisional decision

I issued a provisional decision on this complaint on 17 June 2024. I said:

“[M]y provisional conclusions are:

- Whilst I accept that Barclays did send a notice to close on 19 January 2023, its subsequent correspondence – and in particular its letter of 4 May 2023 – suggested that it had decided to withdraw that notice.
- Barclays says that it sent a further notice to close by email and InApp notification on 23 May 2023. I have not seen those messages – but even if I was satisfied that they were sent, Barclays closed R’s account on 29 June 2023, less than two months later. That means I don’t think Barclays gave R a fair amount of notice.
- In addition, I think Barclays provided poor service when R’s representatives attempted to reopen R’s account.
- Barclays should compensate R for the inconvenience caused by its errors. In the circumstances, I think Barclays’ offer to pay £400 is fair in respect of that inconvenience.
- Given that R’s representatives did not have access to its money, I agree with Barclays that it should pay interest on the balance of the funds in R’s account at a rate of 8% simple. But I accept R’s representative’s evidence about the difficulty they experienced in opening a new account for R, and so I agree with them that interest should be paid up until 20 November 2023 (or up until the date Barclays’ cheque was cashed, if Barclays can show that that was earlier). I do not currently see why Barclays would need to deduct any tax from the charity’s compensation payment, but if Barclays provides a further explanation, I will of course consider it.
- I have not seen sufficient evidence to persuade me that it is fair for me to make any additional award for financial loss, but again I will consider any further evidence that the parties wish to provide.

I give more details about my findings below.

The KYC review

In principle, I have no concerns about Barclays’ decision to undertake a KYC review in relation to R’s account.

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.

Barclays says that it attempted to contact the trustees by post, email, and InApp message – it did not attempt to communicate solely by letter. I think that was reasonable.

I acknowledge that the trustees did not receive the message Barclays attempted to send by email, because the email address it used was one associated with the former employer of one of the trustees. I also acknowledge that the trustees do not recall ever providing that email address to Barclays. But on balance, I think it is likely that the email address was provided by a current or former trustee – because it is not obvious that Barclays would have had any other way to obtain the address. I therefore think it was reasonable for Barclays to use that email address in an attempt to contact the trustee.

The trustees also say that they did not receive the letters Barclays sent them, because R has been operating online since the beginning of the pandemic and they had no need to go into the office to look for statements or letters. But I have seen nothing to suggest that R's trustees had told Barclays that they were not receiving postal correspondence, so again I think it was reasonable for the bank to use the charity's postal address in an attempt to contact the trustees.

I don't know why the trustees didn't receive Barclays InApp notification (and I appreciate the trustees have not yet had the opportunity to comment on that point, because Barclays has only recently told us that it sent one). But even if Barclays had not sent the InApp notification at all, I would have said that multiple attempts to contact the trustees by post and by email would have been sufficient.

The account closure

The terms and conditions of R's account with Barclays give the bank the right to close the charity's accounts if the charity's trustees do not give the bank the information it needs. That is what happened here – the trustees did not reply to the bank's correspondence (because they did not receive it), and so in principle the bank did have the right to close R's account. But I must also consider whether the bank acted fairly.

The bank's terms and conditions say it will usually give two months' notice if it decides to close an account. (It is entitled to close an account with less notice – or no notice at all – in some circumstances, but I have seen nothing to suggest that less than two months' notice was appropriate here.)

Barclays sent an initial notice to close on 19 January 2023, giving two months' notice. It did not close the account until 29 June 2023. On the face of it, that means there was more than two months between the notice to close and the actual closure. However, I think that Barclays' correspondence during the period effectively withdrew the initial notice to close. In particular, the bank wrote to R's trustees on 4 May 2023 to say that *if* the bank was planning to close the charity's account, it would let them know at some future point. So, whilst I think that Barclays was entitled to decide that it no longer wished to offer a bank account to R, I also think that Barclays should have provided R's trustees with a further two months' notice that it had made a new decision to close the account.

Barclays' failure to reopen the account

R's trustees say that after they discovered R's account had been closed, they called Barclays and were on hold for an hour. They were asked to send a document via secure link, and after doing so Barclays' call handler told them that all checks were completed, and she would reopen the account. However, she then said that she couldn't reopen the account herself, but she would escalate the matter and then call

back in a few days. The trustees did not hear from her again, and the account remained closed.

Barclays has provided us with its call handlers' notes of the various calls one of the trustees made in July 2023. They say:

- 3 July 2023: "The customer's account was closed due to not responding. I've now received the customer's CRF and uploaded to eDocs".
- 4 July 2023: "Changed the status to internal hold as previous agent has already raised a manual escalation".
- 11 July 2023: "Reached out to case handler [name redacted] at the time that customer status raise a case to have his account reopened (sic). Waiting for update." (One of the charity's other trustees also attempted to call Barclays on 11 July 2023 but failed security. Barclays' notes say the other trustee was "very non-co-operative" and repeatedly gave the wrong name for the charity. Barclays has since explained that the name provided was similar to, but not identical to, the name on R's account.)
- 14 July 2023: "Customer said his business ac has closed and he spoke to the colleague previously he was asking when his ac will re-open so have provided him business team contact no. have asked customer to connect with the team".
- 17 July 2023: "Spoken to KYC team and been advised that a complaint has been logged in regards to the account being closed and that this is being investigate[d] to see if the account can be reopened and correspondence will be received if an outcome is reached."
- 21 July 2023: "Customer called us regarding he wants to reopen his business account, however sale force status is [account closed as a result of the KYC review] so I am transferring the call to the Business Banking Team." A second note on the same day said "Called complaints team for an update on case. Was queueing to get through to them for 40 minutes. Went back to customer and apologised for long delay, and advised him I could leave him in the queue or he could call direct. He requested to be left in queue and also took their telephone number".

Taking the trustees' comments and Barclays' notes together, it is clear that the trustees very much wanted R's account to be reopened, and that they had sent documents to Barclays in the hope of ensuring that that happened. It is also clear that Barclays had promised to *consider* reopening (though that does not necessarily mean that Barclays had promised that it would reopen). If the bank had not promised to consider reopening, then I can think of no reason why the trustees would have provided documentation on 3 July 2023.

Barclays says that its policy is not to reopen accounts closed as a result of its KYC process unless there is a bank error. Here, I don't think the bank was wrong to close the account (I think the bank was wrong to imply that it had withdrawn its notice to close and then give insufficient notice that it had changed its mind, but it was not wrong to decide that it was unwilling to keep the account open without the information it had requested from the charity).

That suggests that Barclays' decision not to reopen R's account was simply the bank exercising its normal policy. However, I am aware of a small number of cases in which the bank exercised its discretion to reopen an account despite the fact that there had been no bank error.

I think Barclays' customer service here was poor – and even the bank's notes show that the trustees spent a long time on hold waiting to speak to someone. I think the bank could have been much clearer about its position from the outset, and if it had been clear, the trustees wouldn't have spent so long trying to call Barclays to reopen the account.

R's representatives suspect that what Barclays has done goes beyond poor customer service, and they've felt discriminated against.

It's not our role to say whether a business has acted unlawfully or not – that's a matter for the Courts. Our role is to decide what's fair and reasonable in all the circumstances. In order to decide that, however, we have to take a number of things into account including relevant law and what we consider to have been good industry practice at the time. So although it's for the Courts to say whether or not Barclays' actions were in breach of the Equality Act 2010, we're required to take that legislation into account, if it's relevant, amongst other things when deciding what is fair and reasonable in the circumstances of the complaint.

Based on the evidence I have seen here, such as Barclays' note about the trustee being "very non-co-operative" I can understand why the trustees say that they felt Barclays discriminated against them. I don't think Barclays initially grasped how its actions had made the trustees feel. In the circumstances, I think it is right that Barclays should pay some compensation.

The cheque

The trustees say that Barclays issued the cheque for the closing balance of R's account in the wrong name (an alternative name by which the charity is sometimes known, and not its official name). Barclays says that the cheque was issued in the charity's official name, which was the same name this complaint has been set up under. In addition, Barclays says that it is able to make payment electronically if R's trustees provide the correct details for R's new account.

I have not seen the cheque, so I do not know whether Barclays or R's trustees are correct. But even if the name was wrong, I don't think that would have made a practical difference. The trustees told us that they were unable to open a new account for R elsewhere until mid November 2023, and that they were able to pay Barclays' cheque into that account shortly afterwards.

Putting things right

I think that in principle Barclays was entitled to close R's account, but it should have given R's trustees more notice. In addition, I do not think the bank treated R well after the closure. Between 3 and 22 July 2023 it was not clear to R's trustees that they would need to apply to open a new account if they wished to continue to bank with Barclays. If that had been clear, I don't think the trustees would have spent such a long time in queues waiting to speak to Barclays. I think it is fair for Barclays to make a payment to R to apologise for the inconvenience that it caused.

I'm aware that the mistakes Barclays made after the account was closed will have caused distress to R's trustees. But the complainant here is the charity, and not the trustees personally. I do not have the power to make an award to the trustees for the distress they have suffered individually, and R as a charity is not capable of suffering distress.

We publish information on our approach to distress and inconvenience on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . Here, I think the impact of Barclays' mistake caused significant inconvenience and disruption that needed a lot of extra effort to sort out. Taking all the evidence into account, and applying my own judgement, I consider that a payment of £400 is fair in this case.

So far as financial loss is concerned, I understand that R's trustees did not have access to R's money from 29 June 2023 (the date R's Barclays account was closed) and 20 November 2023 (the date Barclays' cheque cleared in R's new account). I acknowledge that Barclays has said that it believes the trustees should have been able to open a new account within six weeks, but I accept the trustees' evidence that it took them longer than that. They have provided evidence to show that one other bank was not willing to offer banking facilities to R, and they have said that other banks have also turned them down. In the overall circumstances here, I don't think the trustees' delay in opening a new bank account was unreasonable.

Barclays has suggested that it may deduct tax from its interest payment, but I do not currently see any reason for Barclays to make such a deduction from an interest payment to a charity. I may change my mind on that point, or on any other, in the light of further information from the parties.

Overall, I consider that Barclays should:

- Reopen R's account (subject to receiving the relevant KYC information);
- Pay R £400 for inconvenience; and
- Pay interest on the balance of R's closed account, at a rate of 8% per year simple, from 29 June 2023 to 20 November 2023 – without any deductions for tax.”

Barclays accepted my provisional findings. R's representatives did not. Briefly, they said:

- The sudden withdrawal of the account R has relied on for more than twenty years was devastating.
- R lost out on approximately £10,000 in donations between June and November 2023. If R had had a bank account, a number of people associated with R would have made donations. The lack of a bank account meant they could not do so – and the cost of living crisis which has affected both R and its donors has made it difficult to recover those funds retroactively.
- R held an event in November 2023. The event had been planned months in advance, and cost over £4,000. R would normally have expected to receive funding or contributions as a result of that event, but it only received a single £10 donation due to the trustees' inability to set up legitimate online funding (such as GoFundMe)

without a bank account.

- Other activities during the relevant period were underfunded.
- In the overall circumstances they do not believe that Barclays' offer of £400 is fair. R's financial losses far exceed that amount, and they respectfully ask that the compensation be reconsidered to more accurately reflect the impact on R.

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, for the same reasons I gave in that provisional decision. I acknowledge that R's trustees will be very disappointed with my decision, but I consider that it is fair. I will give further explanation below.

Putting things right

I have carefully considered R's representatives' further comments about compensation.

I don't think it would be fair for me to order Barclays to make any payments in respect of the £10,000 that R's representatives believe would otherwise have been paid to R between June and November 2023. That's because I don't think Barclays has done anything to cause that money to be lost. Either the money is still in the potential donors' bank accounts – and could be paid over to R if the donors wish – or the donors have chosen (or been forced due to circumstances) to spend that money on other things. In either case I don't think it would be fair for me to hold Barclays responsible for the potential donors' choices about what they wanted to do with their money.

I am mindful of the circumstances that some of R's donors may be in (particularly as I fully accept R's representatives' suggestion that some if not all of them will have been impacted by the cost of living crisis). I suspect that some of the donors who would otherwise have donated between June and November 2023 very much wished to make up those 'missing' donations, but were simply unable to afford to do so. Some of those donors may then have been particularly keen to make donations to R after November 2023 – but if they had made the earlier donations, they may not have been able to afford to make later donations. In their cases, the effect of Barclays' error may have been to simply shift donations from the June to November 2023 period into a later period – and so the donations they would otherwise have made during the period when R did not have a bank account were delayed rather than missed. But even if there are no such donors, I still don't think it would be fair for me to hold Barclays' responsible for R's donors' choices about their money. In any event, the donations R's representatives expected to receive during June and November 2023 were not in any way guaranteed, and it is possible those donations would not have been received regardless of anything Barclays had done.

For similar reasons, I don't think it would be fair for me to order Barclays to pay additional compensation to R in respect of the November 2023 event, or for any events that might have been unfunded during the relevant period. It is possible that some donations that would otherwise have been made earlier have simply been delayed.

In any event, as I've said I don't think Barclays was wrong to close R's account. I do think the bank should have given R more notice – but it is not clear that additional notice would have made much practical difference in this particular case, given that R's trustees were not

collecting postal correspondence. I consider that Barclays did not treat R's trustees well after the closure, but nevertheless I think that by November 2023 it would have been clear to R's trustees for some months that they would need to make arrangements for collecting donations that did not involve Barclays. I know they made significant efforts to make those arrangements, but it is not Barclays' fault that it was so difficult for them to find banking services elsewhere.

Having taken all of the available evidence into account, I remain satisfied that the fair and reasonable resolution to this complaint is for Barclays to:

- Reopen R's account (subject to receiving the relevant KYC information);
- Pay R £400 for inconvenience; and
- Pay interest on the balance of R's closed account, at a rate of 8% per year simple, from 29 June 2023 to 20 November 2023 – without any deductions for tax.

My final decision

My final decision is that I order Barclays Bank UK Plc to compensate R as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 16 August 2024.

Laura Colman
Ombudsman