

The complaint

A 'not-for-profit' organisation which I'll call 'F' complains that Barclays Bank UK Plc behaved unreasonably when completing its banking checks.

The complaint is brought on F's behalf by their chairman, Mr E.

What happened

F held a community bank account with Barclays since 2015. In September 2022, the bank requested information so it could complete its 'Know Your Customer' ('KYC') checks.

Mr E told us:

- In June 2023, F called Barclays to discuss an issue and were made aware that their account had been closed. F had received no notification that the account was being closed or that there was an issue with the account.
- Barclays said that it had sent several letters that hadn't been received, however the bank hadn't tried to call or email any of F's signatories which was unreasonable. Barclays also said it didn't hold an email address or phone number for F, but this was incorrect as it had previously contacted Mrs D (one of F's signatories) by phone and these details were held on the mandate forms held by the bank.
- Barclays hadn't returned the funds to F which had been held in the account – despite several requests – and it needed these funds to function. F was unable to trade without an account as it couldn't take fees or make payments which were required.
- F's senior staff had spent a significant amount of time trying to resolve this issue and F's reputation had been damaged by Barclays actions, so they wanted compensation for the inconvenience they'd been caused.

Barclays told us:

- It had written to F in August and September 2022 requesting information about the organisation so it could complete its KYC checks.
- Some information had been received from F in September 2022. However, it had needed further information about the organisation, so it had written to F in November and December 2022 and January 2023 requesting the additional information.
- It didn't receive a response from F so on 4 May 2023, it sent them a notice to close ('NTC') letter saying that their account would be closed if they didn't provide the outstanding information.
- The information wasn't received as requested so it had closed F's account on 29 June 2023.

- It had sent F a cheque for the account balance on 5 July 2023. However, the organisation said this hadn't been received. It had agreed to send F a replacement cheque, but due to an error this request hadn't been actioned.
- It didn't hold a valid email address or phone number for F to be able to contact the organisation through these methods.
- It didn't think it had closed F's account incorrectly, but it acknowledged it hadn't sent a cheque to the organisation when it should have done. So, it offered F £75 compensation for the inconvenience, plus interest of 8% on the account balance from the date the account was closed until F received the replacement cheque.

Our investigator thought that Barclays' offer was fair. He said he was satisfied that the bank had written to F to give them notice of the KYC requirements and account closure. He also thought it was reasonable for Barclays to write to F as the organisation hadn't told the bank which person it should contact on their behalf. And that Mrs D had only been contacted by phone due to the complaint. He acknowledged that Barclays hadn't issued the second cheque to F as quickly as it should have, but he thought Barclays had done enough by offering £75 compensation and 8% annual simple interest on the account balance from the time the account was closed until F had received the cheque.

Mr E didn't agree and asked for an ombudsman to review F's complaint. He said Barclays had been given contact details for Mrs D as part of the mandate change in 2017, and the bank had paid compensation in 2022 after accepting it did hold contact details for F. He thought that Barclays should have contacted one of F's signatories before closing the account. He also said that it had actually taken Barclays until November 2023 to issue a further cheque, so he didn't think the compensation offered was fair.

I issued a provisional decision on 15 July 2024. I said the following:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr E says that Barclays has behaved unreasonably as it closed F's account and did so without the required warning. He also says that the bank should have contacted F by alternative means when it didn't receive a response to the KYC letters. But I don't agree. Barclays has legal and regulatory obligations to ensure that it has sufficient knowledge of its customers. Therefore, the bank may need to check from time to time that the information it holds for its customer is correct. It is a commercial decision which Barclays is able to make on how often it undertakes these checks and what information (within reason) it needs to comply with its obligations. And if Barclays doesn't receive the information it needs, it is entitled to take actions with regards to those customers – which in this case meant restricting F's account and then closing it.

In this case, I can see that Barclays initially requested information from F in August and September 2022 and the organisation then responded to this request in September. However, upon reviewing the information, the bank decided it needed further information as part of its KYC review. Mr E says that that F didn't receive any further contact from the bank after this and he doesn't believe the letters were sent. However, I have seen copies of the letters sent by Barclays, including August and September 2022 when the bank restricted F from being able to apply for new products.

This was followed by a letter in November 2022 saying restrictions had been applied to F's account. In January 2023, Barclays then issued a NTC letter giving F two months' notice that if they didn't respond by 20 March 2023, the account would be closed. As it didn't receive a response, the bank issued a further letter in May 2023 saying that F had 30 days to provide the information before further restrictions were applied. As F didn't contact the bank, it closed F's accounts in June 2023 – more than 30 days after the final letter had been sent. I acknowledge that Barclays didn't close F's account in March 2023 as it had initially said, and that the letter in May 2023 only said further restrictions would be applied, rather than the account being closed. However, I'm not persuaded that makes a difference here because F said they didn't receive any of these letters from Barclays. Had they done so, then my decision would likely have been that the bank didn't treat F fairly and it should have issued a further NTC letter before closing the account.

I recognise that Mr E says he isn't satisfied the letters were sent, but even if they were, Barclays should have contacted the organisation via phone or email as per the account terms. However, I've seen copies of the letters and the bank's notes and I'm satisfied that the letters were sent. I've also seen that the letters were sent to the registered address held on file for the bank, which F has told us is their address, so I can't fairly hold Barclays responsible because F says that the letters weren't received.

Furthermore, Barclays' account terms and conditions say that the bank will write to the most recent postal address it is given, unless something is returned as undelivered. As F responded to the letters of August/September 2022, it was aware that its letters were being received. So, I don't think Barclays had any reason to think there was an issue with the organisation receiving letters from the bank.

I also acknowledge Mr E feels the bank should have done more to contact F in line with the account terms. However, Barclays has shown us that it didn't have an email address or contact number recorded for F, only an address. I can see that Mrs D is registered as being on F's mandate, and that an email and mobile number were recorded on Barclays system for her. However, Barclays has explained that it cannot simply link this information to F on its system for Mrs D to be used as a point of contact. It explained that F needed to request an amendment to the contact information held by the bank for F, to add Mrs D's details as a point of contact, rather than just an authorised signatory. So based on the evidence I've seen, I can't say that Barclays behaved unreasonably here by only writing to F and using the contact method the organisation had registered.

Mr E says that Barclays treated F unfairly as it took five months for the bank to issue a cheque for the organisations account balance. I also don't think Barclays treated F fairly in the time it took to provide F with the balance of their account. I can see that the bank has apologised and offered £75 compensation for the inconvenience caused along with annual interest at 8% simple on the balance of the account from the time the account was closed until F received the cheque in November. However, I don't think the bank's offer to put things right is fair – I'll explain why.

Barclays says that it initially sent F the balance of their account on 5 July 2023. This was within a week of the organisations account being closed, so I think Barclays behaved fairly at this point. I can see that F made the bank aware in July that the cheque hadn't been received and it agreed on 31 July 2023 to resend this by recorded delivery, however due to an error by the bank this wasn't reissued as agreed. I can see that Barclays sent further correspondence to F on 10 August 2023, but it didn't check that a new cheque had been reissued as agreed. F then had to

chase the bank again in September as it hadn't received the funds. From mid-September onwards, I can see that Barclays was looking to pay F the balance of their account, however I don't think the bank acted quickly enough.

Barclays was aware that F hadn't received the original cheque so it should have immediately cancelled the original cheque and sent a new one by recorded delivery – instead it took a further two months until November 2023 before F had its funds returned. Therefore, I think Barclays should increase the compensation payable here to £150 from £75 and pay interest at 8% simple from the date F's account was closed until the date the new cheque was received.

Mr E told us that F had been caused reputational damage and wasn't able to operate without the funds held by Barclays. However, as I don't think Barclays behaved unreasonably in closing F's account, it wouldn't be fair for me to award compensation for any inconvenience or reputational damage caused as a result of this. I also haven't seen any evidence that F wasn't able to operate without the account funds or any impact on the organisation as a result of the funds not being returned as expected. If F can provide evidence of the issues experienced as a result of the delay in receiving their funds, then I will consider this. However, I do need to make Mr E aware that as a service, we would expect a complainant to mitigate their losses wherever possible.

I'm sorry to disappoint Mr E as I know he feels strongly about F's complaint and wanted more compensation. However, based on what I've seen, I'm satisfied that Barclays' error here is solely due to the delay in returning the balance of F's account as agreed. Therefore, my proposed award is limited to the inconvenience caused to F as a result of this delay.

I invited F and Barclays to give me any more evidence and information they wanted me to consider before issuing my final decision. Barclays accepted the decision and had nothing further to add. F didn't agree with the decision and said in summary:

- They weren't satisfied that the letters were sent by Barclays as there was no proof of postage and there ought to have been some record of dispatch.
- They wanted the details of who the 'in app' notifications were sent to which was referred to in Barclays' Final Response Letter of 11 July 2023, as they believed this could only have been sent if a mobile number had been provided.
- It was clear there was an issue with Barclays KYC team as both the bank and I had acknowledged the delay in the cheque being reissued.
- They had provided news articles from other Barclays customers which showed similar issues to what they had experienced.
- They didn't think it was reasonable to say that their reputation hadn't been damaged by the account closure.

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've reached the same conclusion as I did in my provisional decision, for the same reasons.

Mr E isn't satisfied that the KYC letters were sent by Barclays and believes that there should be some record of the letters being sent. He says that the copies of the letters provided by the bank aren't sufficient. But I don't agree. I've seen copies of the specific letters sent to F by Barclays and copies of the bank's case notes showing when the letters were created/dispatched. So based on the evidence provided, I'm satisfied that the KYC and closure letters were sent by Barclays to F.

Mr E also says that F wants the details of the 'in app' notifications that Barclays referred to in its letter of 11 July 2023. However, I'm not persuaded that's relevant here as the bank has already explained in its letter of 31 July that an 'in app' notification would only be provided if F's account was accessible on an individual's mobile banking. Furthermore, as I have explained in my provisional decision, I am satisfied that Barclays was only communicating with F in writing as it didn't hold any alternative contact information for the organisation. Therefore, whether or not it was possible for anyone from F to receive an 'in app' message hasn't impacted my decision.

I acknowledge Mr E is unhappy with Barclays' KYC process and feels there is a wider issue with the bank's process, as evidenced by the news articles he's provided. However, I can only look at the complaint that F has brought to our service, I can't comment on any other complaints against Barclays. In this case, I agree that Barclays made an error by not sending F the replacement cheque when it reasonably should have, and I've recommended what I think is fair compensation for this. But my role isn't to fine or punish a business for making a mistake, nor is it my role to tell a business that it should change its process unless I think that it has behaved unreasonably – and I'm not persuaded that's the case here.

I also agree with Mr E that its possible F was caused reputational damage as a result of their account being closed. However, I haven't recommended a compensation award for this as I don't think Barclays was wrong to close F's account. Barclays has a process for requesting KYC information from businesses and it is entitled to send these requests to the business address which F has provided it with. The bank isn't obligated to check that its customers have received the correspondence it sends, and Barclays' terms are clear that the obligation is on account holders to make sure the contact information that it holds is accurate, to ensure that they receive important correspondence from the bank. The terms also say that the bank will use the most recent postal address given to it, unless something is returned as undelivered. In this case, Barclays continued sending post to the address given to it by F and I haven't seen any evidence it was returned. Therefore, I think it was reasonable for Barclays to believe F was receiving the letters that it had sent.

I'm sorry to disappoint Mr E as I know he feels strongly about this complaint. However, I don't think Barclays acted unreasonably when it closed his account, so I won't be asking it to do anything more to resolve this issue. I agree that Barclays should have reissued the cheque for the balance of F's account quicker, once it was aware the first cheque hadn't been received. I remain of the opinion that £150 compensation for the inconvenience caused, along with 8% interest for the time that F was without their funds is enough to put things right.

My final decision

My final decision is that I uphold this complaint. I instruct Barclays Bank UK Plc to do the following:

- Pay F £150 compensation for the inconvenience caused.
- Pay F annual interest at 8% simple on the closing account balance from the date the

account was closed until the date the replacement cheque was received.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 4 September 2024.

Jenny Lomax
Ombudsman