

## The complaint

A company which I'll refer to as B, complains that Barclays Bank (UK) PLC (Barclays) unfairly and without notice closed two of its bank accounts.

In bringing this complaint, B is represented by its director who I'll refer to as Mr D.

## What happened

There's little dispute between the parties about the core events in this case. As I understand them, they are as follows:

- B operated two accounts with Barclays: a business current account and a US Dollar account (USD account)
- In 2022, as part of Barclays' Know Your Customer Review (KYC) the bank contacted B to request information in order to update its records.
- Initially, not all the information the bank needed was provided. Nonetheless on the occasions Barclays needed to revert to B for further information, Mr D fully cooperated and gave the bank what it had asked for – including on one occasion resubmitting a KYC form that the bank had lost.
- In June 2023, Mr D contacted Barclays to make sure they had everything they needed to complete the KYC review. Barclays assured him they had.
- On 19 October 2023, Barclays closed B's business account. Later, on 1 November 2023 they also closed the USD account.
- Mr D therefore complained to the bank about the closures. Barclays told him it could take 56 days before the accounts could be reopened.
- On 23 November 2023 the business account was re-opened. Later, on 30 January 2024 the USD account was also reopened.
- But Mr B told Barclays that he spent hours/days chasing them to get the accounts reopened. He said this was time he otherwise would have spent operating the business and therefore Barclays should pay significant compensation.

In their response to the complaint, Barclays acknowledged they made an error. At the time they told Mr D that he had in fact successfully completed the KYC process but nonetheless in error they continued to send communication asking for further information. So, Barclays apologised and offered £200 compensation for the inconvenience caused.

Mr D, however, believed the bank's offer was derisory and referred B's complaint to this service to look into.

In their formal response to our service regarding B's complaint Barclays explained that they had indeed made an error albeit not in the sense they'd initially acknowledged.

By way of clarification, they said that although when Mr D contacted the bank in June 2023, he was told by one of their employees that all the KYC processes were completed, unfortunately their employee made an error in saying that. According to the bank, at the time KYC information was still outstanding – including information regarding B's account mandate. So, even though Mr D was advised there was nothing more required from him, in fact there was, and so the bank did continue to write to B with KYC 'repair letters'.

That being said, Barclays stood by their offer to pay B £200 in compensation because they believed this to be fair.

Our investigator agreed with Barclays that they'd made an error in closing B's accounts. And like Barclays, she upheld the complaint.

Both have agreed also that £200 was appropriate to reflect the inconvenience B had suffered.

Mr D didn't think the compensation went far enough. He said that:

- In effect the bank's offer equated to £100 per closed account. And if therefore this is the only penalty the bank faces it is no deterrent to Barclays continuing to de-banking of their customers.
- The penalty should be such as to make sure that Barclays put in correct, communicative and robust procedures to prevent illegitimate de-banking which has been happening on an unprecedented scale.

### **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.

Where the evidence is incomplete or inconclusive (as indeed some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I begin by making a couple of general points beginning with the KYC review itself.

Since they are strictly regulated, banks in the United Kingdom are required to carry out certain actions in order to meet their legal and regulatory obligation. That involves conducting ongoing checks and monitoring of new as well as existing relationships. Barclays chose to do this by way of the KYC review. And to that extent I do not think they did anything wrong when in 2022 they decided to conduct this review on B.

Secondly, Barclays have sought to clarify the nature of the error they made in this case. They have explained that it was never the case they closed B's accounts despite having all the required KYC information as Mr D had been assured in June 2023. Rather, in truth there was still information outstanding which they needed from B. So, what initially Mr D was told was wrong all along.

However, I don't think the nature of the error is material. Either way the bank accepts it should not have closed B's accounts in the circumstances that it did. The position now is that

Barclays have offered to settle B's complaint by paying it £200 in compensation. Whereas, on behalf of B, Mr D has rejected it.

The specific issue that I have to decide is a straightforward one. It is only a matter of deciding what would be fair and reasonable compensation in the circumstances of this case, having regard to Mr D's reasons for believing the offer doesn't go far enough.

By way of context, it's worth pointing out that the aim of compensation is to put a complainant back into the position, or as closely as possible that they would have been in had the error complained about not occurred. And unlike the Financial Conduct Authority (FCA) who are the financial service industry regulators, our role is not to punish or fine financial businesses.

I cannot, therefore, do as Mr D would like me to do in this case which is to increase the compensation on offer as a way of punishing Barclays so that possible future errors of this kind are deterred.

As I've already indicated, Barclays having accepted they made an error when they closed B's two accounts, my role is to determine the level of compensation that fairly reflects any financial loss and/or inconvenience caused by that error.

To better understand the impact of the bank's error in closing B's accounts, I note our investigator asked Mr D whether B did incur any financial loss arising from the closures - including for example additional charges, costs or fees which he'd be able to provide evidence of.

I thank Mr B for his submission in that regard. In summary, he's explained that:

- Whilst the business account was closed, nine direct debits were returned unpaid including phone bills, business insurance and credit cards.
- He had to arrange to make payments personally which was distressing, time consuming and frustrating.
- Dealing with Barclays and hanging on the phone on numerous occasions also took up hours of unnecessary time. His charge out rate is £250 per hour which he believes should feature in any award.

#### *Mr D's charge out rate*

I come to this first. By way of context, it's worth mentioning that in circumstances where a complainant that's a limited company (as B is) complains to us about an alleged error by a financial business and we find in its favour, we wouldn't generally award compensation based upon, for example the hourly rate of its director.

But we recognise nonetheless, as in effect Mr D has argued, that there may be circumstances where, as a result of something a financial business did wrong, the director of the company might be unable to properly conduct the company's affairs. And we recognise too, that in such situations the company can, by extension be inconvenienced. Our approach is to consider the overall impact of the error – including the degree of inconvenience that was caused generally.

To begin with B was without a functioning business account between 19 October and 23 November 2023. And the USD account wasn't in operation between 1 November 2023 and 30 January 2024. It is here in all likelihood I'd expect to see a material impact.

So, I've carefully considered Mr D's general submission regarding the impact of the closures. But I've not been persuaded Barclays' error caused B to suffer any financial loss for which compensation aimed at addressing that loss would be an appropriate remedy here. On the reopening of the accounts all funds in them were reinstated and available for use.

I understand and sympathise with Mr D's position that he had to cover the failed direct debits from personal funds. Although these payments were due anyway, I understand there would inevitably have been a degree of inconvenience in having to make the payments personally.

But Mr D hasn't shown me evidence there were added costs and charges in having to do so. I bear in mind too the time it took the bank to reopen the two accounts. Mr D has told us he had to make a number of phone calls to the bank before this happened. Barclays' internal records show a number of calls were received in this regard including on 27 October, 1, 8, 15 November, 13 December 2023 and 17 January 2024.

With that in mind, and having thought about the general framework which this service considers when arriving at compensation amounts for inconvenience – further details of which can be found on this service's website - I'm satisfied that the £200 represents fair and reasonable compensation for the inconvenience caused to B. In other words, £200 fairly reflects the impact of the issues raised in this case and is a fair way to resolve this complaint. I haven't been persuaded to increase Barclays' offer further.

### **Putting things right**

I acknowledge that B will be very disappointed with my decision. But having taken all the evidence into account, including the further evidence Mr B' provided after our investigator issued her opinion, I think the payment of £200 compensation is fair and reasonable in this case and I do not require Barclays to do anything more.

### **My final decision**

My final decision is that I uphold this complaint. In full and final settlement of it, Barclays Bank UK PLC should pay B £200, less any sum they've already paid if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 9 September 2024.

Asher Gordon  
**Ombudsman**