

The complaint

A company, which I will refer to as S, complains that Barclays Bank UK Plc closed three of its accounts without warning.

What happened

S's directors told us:

- Barclays closed S's accounts without giving the written warning required by the bank's terms and conditions.
- They had provided Barclays with all the information the bank had requested – sometimes several times – and were still in conversation with the bank. But the bank closed S's accounts anyway.
- The closure of the accounts meant that they could not meet S's outstanding liabilities. Direct debits could not be paid, incoming receipts were rejected, and they could not establish the correct account balance due to the lack of online banking access.
- At one point Barclays agreed to re-open S's accounts, but then closed them again the following day.

Barclays told us:

- It began a Know Your Customer (KYC) review of S's accounts in 2022, and decided that it needed to seek further information on a number of issues (including whether S was still trading). It also needed to update the mandate for S's accounts.
- S's directors were co-operative with the review, and responded to several letters and messages asking them to get in touch with the bank.
- It still needed further information, so it issued a Notice to Close letter to S. This prompted S's directors to get in touch again on 19 October 2023 to provide information. Despite that, Barclays closed S's accounts in error on 29 November 2023. The bank accepts that if it still needed information at that stage, it should have contacted S's directors to make that clear.
- To acknowledge the inconvenience caused by the account closures, and to apologise, it offered S £300 in compensation. It also offered £163.22 of compensatory interest for the time S was without its funds.

One of our investigators looked at this complaint. She said she thought Barclays should pay compensation of £500 (rather than £300) in respect of the inconvenience the bank had caused to S, as well as interest at 8% per year simple on the balance of the accounts for the period that S did not have use of the funds.

Barclays accepted our investigator's findings, but S's directors did not. They said the revised offer of £500 plus interest is still inadequate given the circumstances, and they seek compensation in the region of £3,500. They said that would reflect:

- What they described as "the illegal deprivation of access to our funds and accounts for several weeks contrary to banking rules";
- The reputational damage S suffered when payments were rejected due to account restrictions;
- The significant amount of company time spent on 27 communications with Barclays to resolve the issues, even after the bank admitted its errors;
- The financial damage the account restrictions caused to S's trading activities;
- The time and costs associated with opening a new bank account, including legal and accountancy fees; and
- The expenses involved in setting up new direct debits for supplies and reorganizing payments to creditors with the new bank account.

S's directors also asked for a written statement from Barclays admitting responsibility in this matter.

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, whilst I am sorry to further disappoint S's directors I have reached the same overall conclusions as our investigator, for broadly the same reasons. I give further explanation below.

There is no need for me to decide whether Barclays closed S's accounts in error; everyone – including the bank – accepts that Barclays did indeed make a mistake. The issue now is how Barclays should compensate S for its error.

Putting things right

Looking firstly at the issue of financial loss, I have not seen sufficient evidence to persuade me that it would be fair for me to make an award in excess of the interest that Barclays has already offered (that is, interest at 8% per year simple on the balance of the accounts for the period that S did not have access to its money).

I acknowledge that S did incur costs in setting up a new bank account, including but not limited to a payment of £1,000 plus VAT to S's accountants, but I don't think it would be fair for me to hold Barclays responsible for those fees. In the circumstances it is understandable that S's directors wanted to open an account for S with an alternative bank, but I consider that they could have done so without incurring the costs that they now claim from Barclays.

I also accept that Barclays' errors caused inconvenience in respect of S's trading activities, the payments S needed to make, and the payments S wanted to receive. But again, I have not seen evidence to persuade me that difficulties with payments caused S to suffer financial loss in excess of the interest Barclays has already offered.

Moving on to compensation for inconvenience, we publish information on our approach to awards for non-financial loss on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . In my view, this is a case in which Barclays' error caused significant inconvenience and disruption that needed a lot of extra effort to sort out, and the impact lasted for many weeks. S's directors say that they had to contact Barclays nearly thirty times to resolve the matter, and they spent considerable time ensuring that payments to and from S had been made correctly.

Having looked at the circumstances as a whole, considered our guidance and applied my own judgement, I consider that a payment of £500 for inconvenience is fair and reasonable in this case. I know that S's directors will strongly disagree, but nevertheless I am satisfied that my award is appropriate.

This final decision confirms that Barclays has told the Financial Ombudsman Service that it accepts responsibility for wrongly closing S's accounts. S's directors have said that they would like to have a full explanation as to exactly what went wrong, but I don't think such an explanation is required to resolve this dispute. My role is to resolve complaints fairly, reasonably, and with minimum formality. My role is not to establish exactly why an error occurred, or to prevent that mistake from happening again.

My final decision

My final decision is that I uphold this complaint. If it has not already done so, I order Barclays Bank UK Plc to pay S:

- £500 to compensate it for the inconvenience it has suffered; plus
- Interest at 8% per year simple on the closing balance of S's accounts, calculated from the date the accounts were closed until the date S had use of the funds again.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 2 January 2025.

Laura Colman
Ombudsman