

## **The complaint**

A charity, which I will refer to as H, complains that Barclays Bank UK Plc closed its bank account without warning.

## **What happened**

Barclays closed H's account on 30 October 2023. The bank quickly realised it had made a mistake – it closed the account for non-compliance with its Know Your Customer (KYC) review, but it accepts that H was complying with that review.

Barclays initially offered £150 in compensation. H's representatives referred the matter to our service, and said that they thought an amount of just under £18,000 would be more appropriate.

One of our investigators looked at this complaint. He thought Barclays should pay more than it had offered, but less than H's representatives had asked for. Overall, he thought Barclays should pay H:

- £600 for inconvenience;
- £76.27 to cover the costs of a loan taken out to meet the charity's costs while its account was closed; plus
- Interest on the closing balance of the account, at a rate of 8% per year simple, calculated from 31 October 2023 (the date the account was closed) until 15 November 2023 (the date H's funds were paid into an account with an alternative provider).

Barclays accepted our investigator's findings, but H's representatives did not. Briefly, they said:

- The recommended compensation does not fully recognise the considerable time and effort required to mitigate the difficulties faced, and does not acknowledge the considerable stress put onto the organisation. H's Barclays account was not fully operational again until 11 December 2023.
- They are concerned that H, as a charitable organisation, is being judged by the benchmarks applied to commercial, profit-making enterprises. Barclays' clear and obvious error resulted in significant disruption to the charity's work. Even though the material and financial losses were minimal, staff and trustees had to spend considerable time trying to resolve and mitigate Barclays' error. The error also led directly to additional stress being put onto staff and the organisation.
- They believe H is being penalised because they took prompt action to mitigate H's financial loss and significantly reduce stress on the staff and on H itself. H was able to open an account with an alternative provider within a matter of days (a process which normally takes several weeks). Without those prompt and decisive actions H

would have been at severe risk of major disruption, and would probably have been able to claim much more compensation from Barclays.

- Their charitable work is funded by and responsible to grant giving organisations. Any time not spent on H's core work must be accounted for and justified as it detracts from H's central purpose. They consider that it would be reasonable to compensate H on the basis of the social value of the lost staff time.
- They would like the Financial Ombudsman Service to look again at their original financial claim, particularly with regards to granting additional compensation in recognition of the extra unnecessary workload placed on the organisation, and in recognition of the stress caused to the organisation which detracted efforts from H's normal charitable works.

### **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.

Here, there is no dispute about what happened. Everyone accepts that Barclays should not have closed H's account, and as a result H could not access its money for just over two weeks. The dispute is now solely about how much compensation should be paid. The parties are very far apart; Barclays' updated offer comes to a total of just under £1,000, but H's representatives consider that a payment of just under £18,000 would be more appropriate.

Whilst I am sorry to further disappoint H's representatives, there is very little I can add to what our investigator has already said. I agree with his conclusions as to fair compensation. But I will make some further comments below.

### **Putting things right**

Everyone accepts that the financial loss in this case has been relatively modest (H's representatives describe it as "minimal"). I think the compensation Barclays has already offered for financial loss – to pay interest on the closing balance of the account, and to cover the interest on the loan taken out to cover H's obligations – is fair in the circumstances.

I acknowledge that if H's financial losses had been greater, I might have awarded more compensation to cover those additional losses. But it is also possible that I might not have done. We usually expect complainants to act reasonably to mitigate the losses caused by a bank's error. In this case, H's representatives acted very promptly (presumably at least in part because they were aware of their own obligations to H). But if H's representatives had done nothing at all, or if they had waited longer, it is possible that I would have concluded that it was not fair for Barclays to be required to compensate H for losses that could have been avoided.

In any event, I would only ever have awarded compensation for losses that H had actually suffered. So, even if H's losses had been higher and I had awarded more compensation as a result, H would not now be any better off.

Moving on to the issue of non-financial, we publish information on our approach to this issue on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . This approach applies to all complaints, including consumers, small businesses and charities.

H is a private company limited by guarantee. That means I cannot make an award for the distress suffered by H – as a corporate body, it is not capable of suffering distress. Its directors, staff and volunteers can of course suffer distress as individuals, but I only have the legal power to make awards for loss or damage suffered by H as the complainant. Whilst I was very sorry to hear of the distress suffered by the people associated with H, I simply do not have the legal power to compensate either them or H for the distress that they suffered.

I can make an award for the inconvenience H suffered. I am satisfied that Barclays' error caused H significant inconvenience and disruption that needed a lot of extra effort to sort out. H's representatives had to make many calls to Barclays, and spend time arranging alternative ways to pay H's suppliers. H's representative's efforts meant that the problems were resolved relatively quickly, in less than two months, but nevertheless the bank's mistake caused a serious short-term impact.

I have considered all the evidence provided, reviewed our guidance, and applied my own judgement. I know H's representatives will strongly disagree with me, but having done so I am satisfied that a payment of £600 for inconvenience is fair and reasonable in this case.

### **My final decision**

My final decision is that I order Barclays Bank UK Plc to pay H:

- £600 for inconvenience;
- £76.27 to cover the costs of a loan taken out to meet the charity's costs while its account was closed; plus
- Interest on the closing balance of the account, at a rate of 8% per year simple, calculated from 31 October 2023 (the date the account was closed) until 15 November 2023 (the date H's funds were paid into an account with an alternative provider).

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 31 December 2024.

Laura Colman  
**Ombudsman**