

The complaint

Mr S complains that Barclays Bank UK PLC ('Barclays') closed his accounts and didn't return all his funds to him. He says he wants all his funds back including those that were returned to source.

What happened

Mr S said he was selling cryptocurrency on an exchange when Barclays informed him that some of the buyers had claimed that the transactions were fraudulent. He says he was asked to provide proof he was entitled to the funds, but Barclays didn't accept the evidence he had provided was sufficient.

Mr S said he tried to log into his accounts in May 2023 but wasn't able to so he contacted Barclays. Mr S was informed that the accounts were going to be closed and that he would need to send proof of entitlement to the funds that remained in the accounts. Barclays specifically asked for proof of entitlement documents in relation to a payment for £750. Mr S said this was further to the sale of cryptocurrency which he'd bought using his salary. He then provided Barclays with his passport, proof of the transaction and proof of income.

Barclays also wrote to Mr S on 3 May 2023 asking for further information in relation to a payment of £200. It said the account would remain blocked while it was carrying out its review. Barclays said it blocked the accounts on 3 May 2023 and decided to close them immediately on 6 May 2023, though the accounts weren't closed until three days later.

On 16 May 2023 Mr S provided Barclays with a copy of his employment contract, two payslips as well as screenshots of a foreign bank account that his salary was being paid into whilst working abroad and offered to provide more documents if required.

Mr S said that the matter was progressed very slowly and so he complained. At the end of July 2023 Barclays told him his accounts would remain closed. It said that most of his funds had been returned to source and that £750 was placed on hold pending satisfactory proof of entitlement evidence. Mr S said he was asked to provide a bank statement for the buyer but this wasn't possible as he didn't know them. With regards to the rest of the payments he said they were sent back to source before he was able to provide proof of entitlement evidence.

Barclays responded to Mr S's complaint at the end of July 2023 but it didn't uphold it. It said the account closure was conducted in line with its policies and procedures. It said it was still holding £750 for Mr S while he provided proof of ownership evidence.

Barclays said it wasn't initially able to release Mr S's funds until he updated his contact details. It said its investigation was completed on 30 November 2023 when upon it advised Mr S how to access his funds. Mr S was able to withdraw £750 on 27 December 2023.

One of our investigators reviewed the complaint and thought it should be upheld. She said that Mr S hadn't been provided with the opportunity to provide proof of entitlement evidence in relation to all payments other than the £750 payment. Our investigator didn't think the immediate closure was fair and recommended that Barclays returns all Mr S's funds to him with interest including the funds returned to source and any other funds it may be holding plus £100 compensation. She also didn't think that its term which states that it can return funds to source is fair and creates an imbalance in the rights between the parties.

Mr S agreed with our investigator's view but Barclays didn't. It thought its actions were fair and in line with its legal and regulatory obligations. Barclays asked for an ombudsman's decision and the matter was passed to me to decide.

Before I proceeded with my decision I asked Mr S to provide some further information. This included conversations, if he had any, with any of the buyers, whether he had any way of finding out their real names and also why he was selling cryptocurrency at that particular time.

Mr S provided, what look like, screenshots of conversations he had with the buyers on a cryptocurrency exchange. One was in relation to a transaction worth £600 and the other for a transaction worth £450. Mr S said he had the cryptocurrency for about three months which he initially bought as an investment but decided to sell it due to price fluctuations and as he needed the money short term.

Our investigator provided copies of the above to Barclays. Barclays asked why the screenshots had not been provided before. It also asked if Mr S could show that the seller's name was associated to him. Mr S responded and his response was sent to Barclays. Mr S said that he had not been given the opportunity by Barclays to provide this evidence before as it decided to close his accounts immediately. He clarified that the users of the platform he used to sell his cryptocurrency have usernames which aren't necessarily associated with their real names and one would have to directly ask someone's name to find out.

Barclays asked for an extension so it could review this information. This was granted. Barclays asked for a further extension once the previous one expired but this was refused. Barclays had already had more than three weeks to review the information. I informed Barclays I would be issuing my final decision within a few days.

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.

The account review

It might be helpful if I start off by explaining that our service doesn't punish or fine businesses, and it's also not our place to say that a procedure the business follows is incorrect. Only the industry regulator, the Financial Conduct Authority (FCA), can do this. As our investigator said, Barclays has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its

customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

Barclays will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result.

I've also considered the basis for Barclays's review, which I find was legitimate and in line with its legal and regulatory obligations. Having reviewed all the evidence, including the information Barclays provided in response to the investigator's view, I'm satisfied that it was acting in line with its legal and regulatory obligations when it froze Mr S's accounts on this occasion in order to conduct a review. I also thought that asking Mr S to provide information about how he was using his account was in line with these obligations. So I don't think it treated Mr S unfairly or unreasonably in this regard.

The immediate closure

Barclays's terms and conditions say that it can close an account by giving two months' notice or with immediate effect in certain circumstances.

It's generally for financial institutions to decide whether or not they want to provide or continue to provide banking facilities to a particular customer. Each financial institution has its own criteria and risk assessments for deciding whether to open or close accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there is a very good reason to do so, this service won't usually say that a financial institution must keep a customer or require it to compensate a customer who has had their account closed.

In this case Barclays decided to close the account with immediate effect. For Barclays to act fairly here it needs to meet the criteria to apply its terms for immediate closure. Having looked at those terms and all the evidence I'm not satisfied that Barclays did. I don't think Barclays' investigation went far enough and I say this because it failed to ask Mr S for further evidence in relation to the allegedly fraudulent transactions. So, I don't think based on the evidence available that it had enough to justify an immediate closure. I also can't see that it clearly explained to Mr S what it required and so I'm not satisfied that he understood what he needed to do to satisfy Barclays's request. It follows that I think notice should have been given.

Proof of funds request and returning funds to source

Barclays asked Mr S to provide evidence he was entitled to some of the funds that were paid into his accounts. It asked him about a payment for £750 though it later told us that there were no allegations of fraud in relation to that transaction. It also asked about a £200 payment and returned a £450 and a £600 payment back to source. It didn't ask for proof of entitlement evidence in relation to the latter two transactions.

Mr S said that all the transactions related to the sale of cryptocurrency. He also said that he had purchased the cryptocurrency using his salary. He provided details of his employment which was abroad, his contract, some payslips and screenshots from his foreign bank

account. Mr S also provided receipts from the cryptocurrency exchange for each of the four transactions. The dates match the dates the payments were made into his account.

From what I've seen, all the buyers apart from the buyer who carried out the £750 transaction with Mr S seem to use aliases as their logins so it is not possible to match their names to the names of those who made payments into Mr S's account. Mr S has since also provided us with copies of his conversations with the £600 and the £450 transaction buyers. The conversations match the dates that the payments were made into Mr S's account. In both conversations both buyers are enquiring about and seem to want to buy cryptocurrency. This doesn't seem to match the information Barclays received in relation to the transactions. But as Barclays didn't ask Mr S about these transactions he wasn't able to provide this evidence sooner. Based on the evidence available to me, I am not persuaded that the buyers were the same individuals who made the transfers into Mr S's account. But I don't think there was any way Mr S would know this at the time. And there is no evidence that I am aware of that shows otherwise. It follows that I think Barclays failed to show that Mr S was, on balance, a witting participant to fraud. Mr S did contact the £450 and the £600 buyers later to ask why they had alleged that the transactions were fraudulent but he received no response.

Mr S has provided invoices to show that upon receipt of the funds he released the cryptocurrency. So Mr S has sold his cryptocurrency in exchange for money. This means, by the funds being returned to source, he has lost out.

I should also add that at the end of May 2023 Mr S provided Barclays with evidence of a conversation between him and the £750 buyer where the buyer said they were happy to provide Mr S with their full name so the transaction could be verified. Nevertheless and despite no fraud claim on this payment, Barclays didn't release these funds to Mr S until December 2023. I thought the evidence Mr S had provided was sufficient proof of entitlement and I think the £750 should have been released earlier.

Barclays relied on a term in its terms and conditions which says it can return funds to source in certain circumstances. I agree with our investigator that this does seem to create an imbalance between the rights of the parties as it seems the customer has no say on whether funds are returned or not. And though businesses may sometimes legitimately return funds to source, we must ensure that this is done fairly and reasonably. For the reasons I gave above, I don't think Barclays has on this occasion because I don't think it gave Mr S an opportunity to prove he was entitled to the funds he had received. And had it done so, Mr S would have provided the information required.

What Barclays must do

It follows that I think Barclays should return Mr S's funds to him including any funds it is still holding and any it returned to source. I also think it should pay Mr S compensation for closing his account immediately when it should have given notice and also for causing delays including when returning his £750 to him. And it should also remove all markers it may have registered against Mr S. I think £100 compensation is fair and reasonable in the circumstances.

Mr S has been deprived of funds in his accounts for many months. This is money that he should have had available to him to use as he wanted. I can't say for sure what the specific cost of not having these funds available would be. It will have influenced a whole host of decisions about spending and borrowing over that time. With that in mind I'm satisfied awarding 8% simple interest on the amount for the period that it wasn't available to Mr S. It is a reflection of the cost of being deprived of these funds. It's also in line with the statutory interest rate on judgment debts.

My final decision

For the reasons above, I am upholding this complaint. Barclays Bank UK PLC must return any funds that were returned to source and any funds it might still be holding and which were in Mr S's accounts. It should add 8% simple interest per year on those funds including on the £750 it returned in December 2023 from the date the funds were blocked to the date of settlement.

Barclays Bank UK PLC must also pay Mr S £100 compensation for the distress and inconvenience it caused him and remove all markers it may have registered against him.

Barclays Bank UK PLC must pay the compensation within 28 days of the date on which we tell it Mr S accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If Barclays Bank UK PLC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 10 October 2024.

Anastasia Serdari
Ombudsman