

The complaint

Miss B complains Barclays Bank UK PLC (Barclays) unfairly closed her bank account.

What happened

Miss B says Barclays debited her bank account with payments in July 2022 and August 2022 totalling over £440, despite the fact her account had no funds available to meet these payments. Miss B says the merchant advised her it hadn't received the monies as Barclays had initiated chargebacks. Miss B says Barclays refused to discuss the matter with her and told her it was closing her bank account and it was placing a default on her credit file.

Miss B says Barclays have admitted it made a mistake but refused to reopen her bank account or to amend her credit file. Miss B feels the offer of compensation of £100 from Barclays doesn't go far enough for the trouble and upset this matter has caused her.

Barclays says it agreed to refund the July and August 2022 payments totalling £443.74 with an additional £100 for any trouble and upset caused, as it accepted it shouldn't have allowed the payments to go through Miss B's bank account. Barclays says it still had an obligation to record accurate bank account information with the credit reference agencies as an outstanding balance was still owed by Miss B.

Barclays says after careful consideration and having written to Miss B in September 2022, it had decided to close her bank account.

Miss B wasn't happy with Barclays' response and referred the matter to this service.

The investigator looked at all the available information and upheld the complaint. The investigator felt Miss B's bank account was placed into an overdraft due to a processing error by Barclays and if not for that, Miss B wouldn't have incurred a default. The investigator pointed out Barclays had admitted that due to an error the payments hadn't reached the merchant, which meant the payments should have bounced back and credited Miss B's account and cleared the overdraft.

The investigator also felt Barclays didn't give sufficient notice to Miss B to close her bank account and it should be reinstated. The investigator says Barclays should now remove any negative credit file history from Miss B's credit file and she was satisfied the £100 offered by Barclays was fair.

Miss B partly accepted the investigator's view but says she doesn't now want her bank account reinstated but felt the level of compensation offered didn't go far enough.

Barclays didn't agree with the investigator's view and asked for the matter to be referred to an ombudsman for a final decision.

I sent both sides a provisional decision, where I said :

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

Having done so, I will also be upholding this complaint but with a different outcome for slightly different reasons and I will explain how I have come to my decision.

Both parties have provided this service with comprehensive details of the course of events here and while that has proved helpful, I won't be commenting on every point made as I don't feel it's necessary in order to come to a full and impartial decision here. That's not to say I haven't considered everything said – I have. But it's just that I don't need to comment on each individual point here in order to reach a decision on what's fair and reasonable.

The first thing to say here is Barclays have accepted it made a mistake in allowing the debit payments from Miss B's bank account in July 2022 and August 2022 relating to a Continuous Authority Transaction (CAT) with a car dealership, even though the payments didn't reach the merchant.

It's also important to say Barclays have also, by its own admission, accepted it shouldn't have returned these two payments totalling £443.74 back to another bank provider of Miss B's choice in January 2023, rather than utilising this as a reduction of the debt outstanding on her bank account.

From the information I have seen, the closing balance outstanding on Miss B's bank account was actually £641.66, which seems to represent three payments to the merchant in June, July and August 2022. This point seems to have been overlooked by both the investigator and Barclays as my understanding is the debt written off by Barclays and reported on her credit file as a default is for that sum.

Barclays have asked for a copy of the original agreement from Miss B to check the payment arrangements with the car dealership, but Miss B has said she no longer has access to this – so it's difficult here for me to comment on this other than to say the CAT seems to be by way of debit card not a direct debit.

I don't think it's unreasonable to say that Barclays have made mistakes here and have compounded the issue with the way in which it went about dealing with both the chargebacks and the reimbursement of the two payments in January 2023.

I would have thought Barclays should have simply instigated charge backs for all three payments in June, July and August 2022, rather than creating an overdraft on Miss B's bank account. It's reasonable to say if it had done so, the bank account wouldn't have gone overdrawn to the extent it did, nor would there have been a need to make any reimbursement in January 2023, which again was a further mistake by Barclays.

From recent correspondence with Barclays, it has confirmed the debt has been written off and has suggested no further action is to be taken here. Additionally, I understand Barclays have requested to its relevant department to amend Miss B's credit file but is waiting for a response.

While I understand this, obviously to conclude matters I need to decide what steps I believe Barclays should now take. It's reasonable to say here that if Barclays had carried out the correct process regarding the payments from Miss B's bank account, it wouldn't in all likelihood have gone into unauthorised overdraft, which led to the default and closure of her bank account and resulted in the debt, which was subsequently written off. With that in mind, the actions Barclays took when it wrote off the debt, seems to indicate Barclays have accepted it was at fault here.

So, with that in mind I don't agree that Barclays should leave the default registered on Miss B's credit file. It's fair to say here Barclays can't say with any certainty, it is accurately

recording the activity on her bank account as it claims it must with the relevant credit agencies, especially given the mistakes it made here and referred to earlier.

Barclays have told this service it hasn't pursued Miss B for the outstanding debt and can't see there is any intention to do so and given all that's happened here I take the view that's a pragmatic decision for it to take, given the unusual background to the case and it should now draw a line under the matter.

I am satisfied that given the total amount of funds paid back to Miss B here and the fact Barclays have written off the debt, she has been adequately compensated for Barclays initial mistakes and therefore I am satisfied that no further compensation should be paid. I also understand Miss B no longer wishes for the bank account to be reopened.

So, to summarise I propose Barclays remove any negative information from Miss B's credit file, write off the debt with no further action to be taken as it has implied it would and draw a line over this matter for the reasons I have already explained.

While Barclays will be disappointed with my provisional decision, I am satisfied this is a fair and pragmatic outcome here.

Both Miss B and Barclays responded to my provisional decision, so the case has been passed back to me to make a final decision.

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.

I gave both Miss B and Barclays until 3 September 2024 to accept or reject my provisional decision. Miss B accepted my provisional decision but also mentioned an issue regarding a system note written by Barclays following a data request, however this didn't form part of the original complaint, so I won't be considering that here.

Barclays also accepted my provisional decision and wanted to clarify that this would bring the matter to a settlement, and I can confirm here that it would. So, I will leave it with Barclays to carry out the actions I proposed in my provisional decision. With that in mind I see no need to add or change my provisional decision and so my final decision remains the same.

Putting things right

I instruct Barclays Bank UK PLC to remove any negative information from Miss B's credit file relating to this matter, write off any outstanding debt and not to take any further action regarding the recovery of these monies.

My final decision

My final decision is that I uphold this complaint.

I instruct Barclays Bank UK PLC to remove any negative information from Miss B's credit file relating to this matter, write off any outstanding debt and not to take any further action regarding the recovery of these monies.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 22 October 2024.

Barry White
Ombudsman