

The complaint

Mrs M and Mr M complain about the service they received from Barclays Bank UK PLC ("Barclays") when they tried to set up a joint account.

The complaint is brought by both Mrs M and Mr M. But, for ease of reading, I'll refer mostly to Mrs M throughout this decision, as the submissions have been made mainly by her.

What happened

In October 2023, Mrs M and Mr M visited a branch of Barclays to open a joint account. They were assisted by a branch advisor who I'll call A. Due to an undisputed bank error, a third-party (who was entirely unconnected to Mrs M and Mr M) was mistakenly added to the account as a joint party instead of Mr M.

The mistake was identified when Mrs M contacted Barclays around one week later, on or around 20 October. Mr M couldn't access the account online and hadn't received a debit card. So, Mrs M called Barclays to find out what was happening. She says it was during this call that she discovered a third-party had been added to the account instead of Mr M. She and Mr M were abroad at the time and Barclays asked them to attend the branch upon their return. Mrs M says she discovered at around the same time that all the Direct Debits on the account had been cancelled.

Mrs M went into the branch on 24 October. She saw A again, who apologised for the mistake. A removed the third-party from the account and cancelled a debit card which had been sent to that person. Mrs M says that A added Mr M to the account and re-activated the Direct Debits. She also credited £100 to Mrs M's account as an apology.

Mrs M went back to the branch around one week later as Mr M still hadn't received a debit card. She didn't feel confident in Barclays but decided to remain with the bank. She asked it to close the existing joint account and open a new one. This happened on 1 November.

All the Direct Debits were to be transferred to the new account. But Mrs M says this didn't happen. She received letters from numerous businesses, including her mortgage lender, saying that her Direct Debit had been cancelled. Her November mortgage payment was taken from another account, which she says caused it to exceed the arranged overdraft limit. She was very concerned about how this would all affect her credit file.

Mrs M wrote to Barclays asking it to thoroughly investigate these issues. She sought compensation of £22,000 for the inconvenience, severe stress and impact on her financial stability and security. In addition, she said she hadn't been able to set up a mobile payment app for the new account and sought help with this.

Barclays upheld the complaint overall and offered Mrs M further compensation of £200. It said that all the Direct Debits were active on its system, so Mrs M would need to contact the payees if there were any problems. But it said it would be happy to provide a letter of explanation if Mrs M's credit file had been impacted. In relation to the mobile payment app, Barclays suggested that Mrs M call its Customer Services Team for help to set this up.

Mrs M declined Barclays' offer of £200 and brought the complaint to this service. She said that the unauthorised joining of a third-party to her account and subsequent cancellation of the Direct Debits had caused severe stress. She said it had far-reaching consequences for her financial stability and security as well as her trust and confidence in banking institutions. She suggested that £12,000 would be a fair amount of compensation in light of the inconvenience she suffered and the potential risk to which she was exposed.

I issued a provisional decision on 26 September 2024, indicating my intention to uphold the complaint and direct Barclays to pay compensation of £1,200 in total. Barclays agreed to this. But Mrs M didn't agree and asked me to reconsider the compensation.

She said that £1,200 doesn't reflect the critical breach of trust and data privacy here. She said that the amount of compensation she is seeking corresponds to the funds she held with Barclays at the time and represents what she could have lost. She said that the potential risk she was exposed to is the core issue here. She also described the significant impact this situation has had on her personally and how it has affected her health.

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've given very careful thought to Mrs M's comments before reaching this decision. I know she feels strongly about the complaint and I sympathise with her situation. But I'm afraid I haven't changed my mind about the amount of compensation Barclays should pay. I've addressed Mrs M's comments and set out the reasons for my decision below.

There are two key elements to this complaint: (1) the addition of a third-party to the account; and (2) the problems with Direct Debits. I'll look at each of these in turn.

Addition of a third-party to the account

It's not disputed that Barclays added an unknown third-party to Mrs M's account in error. As Barclays accepts this, I'll focus on whether it has done enough to put things right.

Barclays says it became aware that the third-party had been incorrectly added to the account when Mrs M came back into the branch on 24 October and spoke to A. But Mrs M says she became aware during the phone call from abroad. I find that the call took place on 20 October. Barclays says that the member of staff who spoke to Mrs M on this call advised her to keep funds out of the account and said that would mean no payments would be allowed as there was no overdraft facility. Barclays says it didn't divulge any additional information at the time due to data protection concerns. On balance, I think Barclays became aware on 20 October that the third-party had been incorrectly added to the account.

I find that the third-party was removed from the account on 24 October, when Mrs M came back into the branch. Barclays says this couldn't have been done earlier as A wasn't aware of the issue until Mrs M came into the branch. It may be the case that A wasn't personally aware of the problem until 24 October. But I find that Barclays knew at least four days before this. So, I think it could have removed the third-party before 24 October.

But, even if Barclays couldn't have removed the third-party from the account before that, I think it could have taken steps to secure the account. Barclays' terms and conditions require Mrs M to tell it straight away if she thinks someone might have access to her account. It says it can cancel her card in this situation or put a block on a service to prevent anyone getting

hold of her money. But Barclays didn't take any of these steps to secure Mrs M's funds, even though it was aware by 20 October that a third-party had access to the account. Instead, it advised Mrs M to keep funds out of the account, placing the onus on her to keep her funds safe. The third-party attempted a payment from the account on 20 October. This was unsuccessful, but only because there weren't enough funds in the account; not because Barclays had blocked the third-party's access. And I find that Barclays didn't cancel the third-party's debit card until 24 October. I don't think that was reasonable.

Due to Barclays' error, the third-party was an unauthorised party to Mrs M's account for ten days. They received a debit card and correspondence about the account. I understand that they were also able to access the account online, although I don't know if they did so. The third-party's address was included on the statement dated 3 November 2023. Barclays has confirmed that no paper statement was sent to this address. And I'm satisfied that the third-party couldn't access it online, as they had been removed from the account on 24 October.

But, looking at the situation overall, I don't think Barclays recognised the implications of its mistake or took all the necessary steps to deal with the situation. It didn't report any data privacy concerns at the time. And it didn't take steps to secure Mrs M's account. I don't think it acknowledged how distressing and concerning the situation was for Mrs M. She says she is constantly worried about the safety of her funds with Barclays and the situation has eroded her sense of security and trust in the bank. I think that's understandable.

Mrs M didn't suffer any financial loss as a result of Barclays' errors, as the third-party didn't successfully make any withdrawals. So I don't need to ask Barclays to reimburse any losses. But the situation caused Mrs M severe distress and she says she feared losing her life savings. I think Barclays does need to compensate her for the distress she suffered. I'll consider this in more detail below, after I've looked at the other complaint issues.

Direct Debits

I'll now consider the issue of the Direct Debits. It's clear that Mrs M experienced issues with these. I've seen letters which she received from numerous organisations between October and December 2023 referring to cancelled Direct Debits, missed payments and arrears. These organisations included her mortgage lender, energy supplier, mobile phone provider and insurance company. There are also letters from Barclays about loan arrears. Some of the businesses threatened to suspend their services unless payments were arranged straight away and some of the letters said that Mrs M's credit file could be affected. This was very stressful and Mrs M had to take immediate action to sort out the payments.

Mrs M had originally asked Barclays to set up the Direct Debits on the joint account which was opened in October. But, in light of her concerns about the third-party's access to that account, Mrs M asked Barclays to close it and open a new account on 1 November. So the Direct Debits needed to be transferred to the new account. This meant there were two changes to the Direct Debit mandates within a short period of time.

Barclays says the mandates were all switched to the new account. It says that the payee companies should have received notification of the correct account to claim payments from. From the information I've seen, I think Barclays did transfer the Direct Debits. But it's clear they weren't all set up in time for some payments to be collected. That wasn't necessarily due to an error by Barclays. But I don't think Barclays made Mrs M aware of the timescales.

Mrs M's decision to close the first account and open a new one was a consequence of Barclays' original error in adding the third-party to the account. I think Mrs M's decision was reasonable. I think it was a foreseeable consequence of opening the new account that some of the Direct Debits wouldn't be in place in time for the next payments to be collected. But I

haven't seen anything to suggest Barclays explained this to Mrs M. It wouldn't have been necessary for Mrs M to open the new account (or transfer the Direct Debits) but for Barclays' original error. So, I don't think she should be worse off by doing so.

Mrs M was very concerned about her credit file being affected by the missed payments. In particular, she was worried about exceeding her overdraft limit to make the mortgage payment. Her credit file shows no negative impact from these events. So I don't think Barclays needs to do anything in relation to that.

And I haven't seen evidence of any financial loss or anything to suggest the issues with the Direct Debits had an impact on Mrs M's financial situation. So, I don't think Barclays needs to do anything in that respect.

But the situation caused significant inconvenience and worry. It was very stressful for Mrs M unexpectedly to find herself in a situation where key payments (such as her mortgage and energy bill) had been missed. The letters she received were very worrying. She suddenly and urgently had to deal with numerous businesses to arrange payments and ensure that essential services could be continued. There were at least seven businesses involved here and Mrs M held more than one account with some of them. This was stressful, time-consuming and inconvenient. I think Barclays needs to compensate Mrs M for this.

Other issues

Mrs M is unhappy with her Barclays account generally, saying it doesn't meet her needs. She has referred in particular to the fact that she can't use a mobile payment app because the account is only a basic account. This was only explained to her after the complaint had been referred to this service. She says she wasn't told that the account would only be a basic bank account at the time it was opened. I note that the original account (opened in October) was also a basic bank account. So, when the new account was opened in November, it was the same type of account. I haven't seen evidence of what was discussed between the parties about the type of account Mrs M wished to open. But, overall, it does seem that Mrs M wasn't given clear information in the branch.

Putting things right

I think Barclays needs to pay Mrs M and Mr M compensation which reflects the significant stress, upset and inconvenience they suffered as a result of its mistakes. As I explained previously, our awards aren't intended to punish a business but to reflect the impact of its mistakes.

Mrs M's main concern in her recent comments was the potential risk she was exposed to and that is why she believes compensation should be in the order of £12,000; she says that is what she could have lost if the situation had escalated. If the third-party had withdrawn funds from the account, leaving Mrs M out of pocket, the redress would likely be different here. In that situation, it's possible I would be directing Barclays to repay those funds, to put right the financial loss. But I have found that there is no financial loss here, so I'm not making an award for that.

Instead, the entirety of the award I'm making is for the distress and inconvenience Mrs M suffered. This includes her anxiety, disappointment, upset, pain and suffering. These were significant: Mrs M says she has lost her sense of security, her trust in banking institutions has broken down, her health has suffered, she has experienced anxiety and profound distress as well as significant inconvenience. As Mrs M says herself, it is extremely difficult to put a value on this emotional impact.

I need to make an award that compensates Mrs M for the impact of Barclays' mistakes, not the mistakes themselves. Mrs M thinks the compensation should reflect what she could have lost. But I can't award compensation for something that might have happened. I understand that Mrs M was worried the third-party could withdraw her funds and this worry would have remained for four days until the third-party was removed from the account. I've taken this worry into account. But I'm looking at the situation impartially and in doing so I note that at no time would the third-party have had access to the amount of money which Mrs M is seeking in compensation. In any event, Mrs M didn't lose funds, so I'm not awarding compensation for distress associated with losing funds.

It's clear that the situation had a significant emotional impact on Mrs M. Barclays' mistakes also caused disruption to her and Mr M's daily life and had a substantial impact with her having to move money around, contact businesses to reinstate payments and liaise with Barclays further. But, after careful consideration, I still think that £1,200 is a fair amount of compensation here. Barclays has already paid £100, so my decision means it will need to pay a further £1,100. I'm sorry to disappoint Mrs M. But I think this reflects what actually happened and is in line with our approach.

My final decision

For the reasons above, I uphold this complaint. Barclays Bank UK PLC should pay further compensation of £1,100 to Mrs M and Mr M.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 4 November 2024.

Katy Kidd
Ombudsman