

The complaint

A company, which I will refer to as W, complains that Barclays Bank UK Plc closed its bank account without giving any notice.

What happened

W's representatives told us:

- On 28 November 2023, Barclays closed W's account without notice. The sudden and unexpected closure had a significant impact on W.
- W was still able to take card payments, using a facility provided by Barclaycard, until 30 November 2023 (the date they discovered that W's account had been closed). Card takings of £1,188.65 from the 27 to 30 November 2023 period went missing when Barclays closed W's bank account, but those funds were eventually returned by Barclaycard on 4 July 2024.
- W's inability to take card payments during December 2023 and early January 2024 led to significant losses. Their original estimate for loss of trade was £4,000, and they later revised that estimate to £7,000.
- It was difficult to open a new account elsewhere in the runup to the festive period, but they eventually managed to open a new account with a different bank on 23 December 2023. It took a little longer to arrange a facility to take card payments; W could not take card payments until 6 January 2024.
- There was also an impact on W's reputation, because direct debits and cheques bounced. Suppliers thought that W had cash flow problems rather than an administration issue.
- One of W's representatives had to take two and half days off work to try to keep the Barclays account open, apply for a new account elsewhere, and contact all of W's suppliers. W's suppliers were in general helpful, but W still had to work on a cash basis for around six weeks. That was both time consuming and stressful.

Barclays told us:

- In 2022 and 2023 it carried out a Know Your Customer (KYC) review of W's account.
- It did not receive all the information it needed, so on 17 August 2023 it issued a Notice to Close (NTC) letter explaining that it would close W's account in 60 days' time if W did not get in touch.
- W's representatives did get in touch within 60 days of 17 August 2023, and they provided further information.

- It then closed W's account on 28 November 2023, because it did not have all the information it needed to comply with its KYC obligations.
- Although it had initially said it hadn't done anything wrong, it had changed its mind following correspondence with one of our investigators and is now prepared to pay:
 - Interest at a rate of 8% per year simple on the closing balance of W's account, from 28 November 2023 (the date W's Barclays account was closed) to 23 December 2023 (the date W's new account was opened with an alternative bank).
 - Interest at 8% simple on the £1,188.65 Barclaycard payments that went missing, from 28 November 2023 to 4 July 2024 (the date Barclaycard returned the missing funds).
 - £500 in respect of inconvenience and potential loss of trade.

One of our investigators said she thought Barclays' offer was fair. She thought it was plausible that W had suffered some loss of trade due to Barclays' actions, but she didn't think it was possible to calculate that loss. In light of the uncertainty, she didn't feel able to recommend that Barclays' increase its offer.

W's representatives did not accept our investigator's conclusions, so the matter was referred to me.

My provisional decision

I issued a provisional decision on this complaint in January 2025. I said:

"[M]y provisional conclusions are:

- Barclays should not have closed W's bank account on 28 November 2023, because it did not give W sufficient notice.
- However, Barclays is not responsible for W's loss of trade between 30 November 2023 and 6 January 2024.
- The offer Barclays has already made, to pay interest as set out below plus £500 for loss of trade and inconvenience, is fair and reasonable.

I will explain those provisional conclusions in more detail.

Should Barclays have closed W's account on 28 November 2023?

I understand there is no longer any dispute about whether Barclays should have closed W's account on 28 November 2023, but I cover the point for completeness.

Barclays sent W a NTC on 17 August 2023, but that NTC was conditional – it said that Barclays would close W's account if W's representatives failed to get in touch with the bank. But W's representatives did get in touch with the bank, and there is some evidence that the bank told them that it didn't need any further information. That means I don't think it was fair for Barclays to rely on the 17 August 2023 NTC.

I've seen nothing to suggest that Barclays sent a further NTC after 17 August 2023, and nothing to suggest that Barclays was entitled to close W's account without notice. So, I am provisionally satisfied that Barclays was wrong to close W's account when it did.

This dispute is now about fair compensation.

Why was W's Barclaycard account closed?

W's bank account and merchant services account were operated by two legally distinct entities – Barclays Bank UK Plc (trading as Barclays), and Barclays Bank Plc (trading as Barclaycard). In this decision, I will refer to those two entities as Barclays and Barclaycard respectively.

Barclays and Barclaycard are part of the same group, which means that Barclays is sometimes able to obtain information from Barclaycard. But I cannot hold Barclays responsible for the actions of Barclaycard, or vice versa.

Most of the losses W claims relate to the fact they did not take card payments between 30 November 2023 and 6 January 2024. It is therefore important for me to establish *why* they did not take card payments – and whether that was the fault of Barclays.

I do not yet have the evidence to be certain on that point (and that is one of the reasons why I am issuing a provisional rather than a final decision). But based on the limited information available to me now, I don't think it would be fair for me to hold Barclays responsible for the fact W did not take card payments between 30 November 2023 and 6 January 2024. I note:

- There is a suggestion in the file that Barclays instructed Barclaycard to close W's merchant services account. My experience is that it would be very unusual for Barclays to do such a thing (and very unusual for Barclaycard to accept such instructions), and so I asked Barclays for more details. It said it had not told, or asked, Barclaycard to close W's merchant services account.
- Barclays has recently asked Barclaycard to explain why the merchant services account was closed. Barclaycard said:

“30/11/2023 we received AUDDIS notifications that the Direct Debits (DD's) to BPS (Barclaycard Payment Solutions) had been stopped. We hold 2 DD's – one authorising us on collecting of our fees, one authorising us on where to pay the card transaction settlement. Both were advised as cancelled.

Letters & new mandates were sent to the merchant for completion – this is a standard process whenever we received notification of stopped DD's.

Collection of our fees and payments out to the merchant are stopped until new mandates are set up.

There was no stop on card transactions or the card machine during this time.”

In other words, Barclaycard said that it stopped making payments out to W

with effect from 30 November 2023 – but it did not put a stop on card transactions or on W’s card machine. If Barclaycard is correct, that means that W could have continued to accept card payments using its existing terminal, but those payments would have been held by Barclaycard until a new direct debit mandate was in place (or until some other arrangement was made for W to recover its money).

- Barclaycard also provided Barclays with a copy of an email it sent to W on 20 December 2023 asking for new direct debit mandates. Barclaycard says it received a handwritten response from W which said “Please note that I cancelled this application on 5/12 and advised the delivery company [unclear] return card readers”.
- W’s representatives have relied on an email from Barclaycard which explains that having a direct debit set up “is a mandatory requirement of your Merchant agreement with us”. But that email is dated 4 January 2024, almost at the end of the period for which W claims losses. I don’t think it demonstrates that W could not take card payments from 30 November 2023.

I have considered all of the information both parties have provided, but I still don’t know why W’s staff stopped taking card payments on 30 November 2023. For example, it might be that they tried to use W’s card terminal and discovered that it did not work. It might be that they simply assumed that the closure of W’s Barclays bank account would automatically prevent W’s Barclaycard terminal from working. There are many other possible explanations, but in the absence of further evidence I cannot fairly say that Barclays was at fault.

I will consider any further evidence provided to me by the date shown at the top of this provisional decision, and I might change my mind about any aspect of this complaint in light of that evidence.

Compensation

I think it is obvious that Barclays’ decision to close W’s account without giving notice caused W inconvenience.

We publish information about our approach to awards for inconvenience on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> .

I should stress that I only have the legal power to make an award for the inconvenience suffered by W itself – I cannot make an award for inconvenience suffered by other parties, even if those other parties are closely connected to W.

Here, I consider that Barclays’ mistake in closing W’s account caused significant inconvenience and disruption that needed a lot of extra effort to sort out, and that the impact lasted for a few weeks. Looking at what happened, taking into account our guidance, and applying my own judgement, I consider that a payment of £500 is fair for that inconvenience. I’m aware that Barclays described its offer of £500 as being for both inconvenience and *potential* financial loss, but I think it is a fair amount for inconvenience alone.

Moving on to the issue of financial loss, as I’ve said I don’t have sufficient evidence to hold Barclays responsible for any losses associated with W’s card payment difficulties. In the absence of any further information detailing W’s specific losses, I

think it is fair for me to award interest at a rate of 8% per year simple on the balance of W's closed account, for the period that W did not have access to its money.

I don't know why Barclays has offered to pay W interest on the funds held by Barclaycard, but I see no need for me to interfere with that aspect of its offer.

Overall, I consider that the offer Barclays has already made is fair and reasonable in the circumstances of this complaint."

Barclays did not provide any further evidence or arguments in response to my provisional decision. W's representatives did. Briefly, they said:

- They didn't know that W's card machine would continue to work. Although they now understand the distinction between Barclays and Barclaycard, they did not understand that at the time. They reasonably assumed that Barclays and Barclaycard shared information, so a closed Barclays bank account would compromise their ability to use their Barclaycard card machine.
- Even if the card machine had worked, they could not have known that payments would be honoured. Barclays had closed W's bank account, so they had no reason to believe that Barclaycard would process their payments as normal.
- Continuing to use their Barclaycard cash machine would have been catastrophic for W's cashflow. If W did not have access to its sales income, it would have been unable to pay its suppliers and would have had to stop trading.
- In October 2023 and February 2024 (just before and just after this incident), more than half of W's takings were card sales. W would not have voluntarily made the choice to stop taking card payments.
- W's staff sought to persuade customers to pay in cash, but W's sales still dipped markedly during the period its bank account was closed.
- They also wish to stress that they did not know how long W would be without a bank account, and consider that they were lucky to be able to get an alternative set up as quickly as they did.
- They are concerned about my comment that I did not have sufficient evidence "to be certain" about why W did not take card payments over the relevant period. They accept that I may have simply used a turn of phrase, but they suggest that certainty is too high a bar. As an alternative, they say that "confidence on the balance of the evidence should be sufficient to satisfy a decision-making entity that a loss has been suffered and ought to be remedied".
- Overall they did what they considered was best for W. They didn't know the Barclaycard card machine would continue to work, or that transactions would be honoured if it did work. And even if the transactions were honoured eventually, the impact on cashflow would have had a serious impact. The closure of W's Barclays account set off a chain of reasonable events that led to W losing significant trade. They hold Barclays responsible for that loss of trade, and they ask that I do the same.

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, I have come to the same conclusions as I did in my provisional decision, and for the same reasons. I now confirm my provisional conclusions as final, but I will also give some further explanation below.

W's representatives are right to question my use of the word "certain", and I apologise. It is true that when I issued my provisional decision I was not *certain* about why W had stopped taking card payments, but certainty is not the test. However, it is not enough for me to be satisfied on the balance of probabilities that a loss has been suffered. As W's representatives suggest, there is also the question of whether the loss "ought to be remedied [by Barclays]". In this case, that means I need to consider whether Barclays is responsible for any losses W may have suffered.

I am sorry to further disappoint W's representatives, but I am not persuaded that Barclays is responsible for any losses W suffered because W did not take card payments. I am not satisfied that Barclays did anything to prevent W's card machine from working, nor am I satisfied that Barclays did anything which led W's representatives to believe that its card machine would not work. I think it is possible that W's representatives may have had some misunderstandings about the respective roles of Barclays and Barclaycard, but I don't think that was Barclays' fault. That means I have not considered W's representatives' comments about loss of chance, because I don't think Barclays is responsible for any loss of chance W may have suffered.

I want to be clear that I am not criticising W's representatives, and I am not saying that I think they should or should not have taken a particular course of action. I am simply saying that I do not consider that it would be fair for me to hold Barclays responsible for the losses they claim in relation to card payments. My role here is purely to assess the fair and reasonable outcome to W's dispute with Barclays, and in the circumstances here I think that the offer Barclays has already made does represent a fair outcome.

My final decision

I order Barclays Bank UK Plc to pay W:

- Interest at a rate of 8% per year simple on the closing balance of W's account, from 28 November 2023 to 23 December 2023.
- Interest at 8% simple on the £1,188.65 Barclaycard payments that went missing, from 28 November 2023 to 4 July 2024.
- £500 in respect of inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 28 March 2025.

Laura Colman
Ombudsman