

The complaint

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

What happened

M's representatives told us:

- They were aware that Barclays began carrying out a Know Your Customer (KYC) review of M's account in 2022.
- In June 2022 Barclays sent them a lengthy form, which they completed and returned. Barclays later claimed that it had not received that form, so they sent another copy in February 2023 by recorded delivery.
- They received a Notice to Close (NTC) letter from Barclays dated 19 January 2023, and rang Barclays on 22 February 2023 in response. M's company secretary had a lengthy conversation with Barclays' KYC team, and described the services M provides in detail.
- They sent further letters to Barclays in March and April 2023, all sent by recorded delivery. Barclays did not respond to those letters, but it continued to write to them up until 26 April 2023 to say that it needed more information about M.
- Barclays closed M's account on 28 September 2023. They spoke to Barclays' KYC team on 2 October 2023 and explained that they didn't want to open a new bank account (with Barclays or with anybody else), they wanted M's closed bank account to be reinstated immediately.
- Barclays sent them a cheque for the balance of the closed account, but they could not cash the cheque because M did not have an alternative account.

Barclays told us:

- It initially upheld M's complaint, because it could not demonstrate that it had sent a Notice to Close. It offered £240 to apologise for the inconvenience it caused.
- It later traced its 19 January 2023 NTC, and it is now satisfied that it was entitled to close M's account in the way that it did.
- It accepts that it did not respond to the letters M sent to it. It says this was because its KYC team do not respond to individual letters, and it asks customers to call it instead. However, it also acknowledges that M's representatives did call its KYC team, and kept having to repeat themselves when they did so. It therefore wishes to honour its offer of £240 despite its revised conclusion that it was not wrong to close the account.

- It re-opened M's account on 22 April 2024, and credited the account with the closing balance of £397.71. However, at that point its KYC review was still not complete, and so it said that the account may still close at a future point if it is unable to obtain the information it needs.

One of our investigators looked at this complaint, but did not uphold it. She said Barclays had acted in accordance with its terms and conditions when it closed M's account. She accepted that Barclays had provided M with poor service, but she considered that the £240 Barclays had already offered represented fair compensation.

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

I issued a provisional decision on this complaint, and said:

"[M]y provisional conclusions are:

- Barclays should not have closed M's account when it did, because it did not give appropriate notice.
- I have very little evidence as to whether M suffered a financial loss as a result of Barclays' errors (and I am issuing this provisional decision in part to give M an opportunity to provide further evidence). But on the basis of the limited evidence I do have, I intend to order Barclays to pay interest on the balance of M's closed account, at a rate of 8% per year simple, over the period M did not have access to its account. I consider that calculation will produce a reasonable proxy for M's financial loss.
- I also intend to make an award of £500 for inconvenience (but again, I might increase or decrease that award in the light of further evidence from the parties).

I give further explanation of my findings below.

Should Barclays have closed M's account when it did?

There has been some confusion here about whether Barclays was wrong to close M's account. At one point Barclays accepted that it was wrong, because it could not show that it had given M appropriate notice of its intention to close M's account. However, Barclays later found the 19 January 2023 NTC, and decided that it had in fact given appropriate notice.

M's directors accept that they received Barclays' 19 January 2023 NTC. But as they note, it was conditional – it said Barclays would close M's account in two months "unless you provide your latest business details". M's directors say they did get in touch with Barclays on receipt of the NTC, and they believed they had given the bank everything it needed. So, they were shocked when M's account was closed in September 2023.

I don't think it was fair for Barclays to rely on the 19 January 2023 NTC to close M's account in September 2023. There was significant contact between the bank and M between February and April 2023, and on balance I think it would have been reasonable for M's directors to have concluded that Barclays had withdrawn the NTC

– especially as the account remained open for much longer than two months after the NTC was issued.

I recently asked Barclays if it had sent M any other Notices to Close after 19 January 2023, and it said it had not. My conclusion is therefore that Barclays should not have closed M's account on 28 September 2023, because the bank had not given M sufficient notice of its intention to cease providing banking services.

I have noted Barclays' comment about its KYC review not being complete as at 22 April 2024, but I make no findings about that here. Regardless of whether the KYC review had been completed – or ought to have been completed – by 22 April 2024, I don't think the bank should have closed M's account in September 2023 in reliance on a Notice to Close issued in January 2023.

I don't know whether the KYC review has subsequently been completed, nor do I know whether M's Barclays account remains open. But again, I don't think I need to know those things in order to decide whether Barclays acted fairly when it closed M's account in September 2023.

Financial loss

In some cases, a business suffers significant financial loss because of the unanticipated closure of its bank account. In other cases, the financial loss is minimal – either because the closed bank account was rarely used, or because the business was able to take action to mitigate the effects of the bank's actions.

I can only make an award for financial loss when I am reasonably satisfied that the bank's error has in fact led to a financial loss to the complainant. Here, whilst I am open to reviewing anything further M's directors may wish to send me, I have not seen evidence of an actual financial loss as a result of the bank's error. I think some financial loss is likely, given that the account was closed for over six months, but I don't have evidence as to the amount.

I also think it is likely that M's directors took some action to mitigate M's losses given that M's Barclays account was closed for such a long time – I would find it surprising if M was able to operate without any access to banking facilities for several months. But I don't have any evidence as to what M's directors did, or whether any costs were incurred as a result.

In the absence of evidence to show M's actual financial loss, I think it is reasonable for me to make an award for M's loss of opportunity to use the closing balance of its account. I think it would be fair for me to award interest at 8% per year simple on that balance, from the date the account was closed (28 September 2023) until the date it was re-opened (22 April 2024). But I might increase or decrease that award in light of further evidence from the parties.

Non-financial loss

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

I only have the legal power to make an award to the complainant, which in this case is the limited company M. I acknowledge that M's directors have said that their own individual reputations were impacted, but I have no power to make an award to them.

I don't have much evidence about the impact of unexpected closure of M's bank account on M itself. But I think it's clear that the unexpected closure would have caused significant inconvenience and disruption to M, and a lot of extra effort would have been needed to ensure that M was able to continue to function. The impact of the closure lasted many months. As Barclays has acknowledged, M also suffered inconvenience before the closure in relation to long telephone calls and the bank's failure to reply to M's letters.

Taking our published guidance into account, and applying my own judgement, my provisional view is that Barclay's offer of £240 is not enough. I consider that an award of £500 would be fair for the inconvenience M suffered. But again, I might increase or decrease that award in light of the parties' responses to this provisional decision."

Barclays accepted my provisional findings. M's directors provided some further comments. Briefly, they said:

- They would like to know why Barclays failed to record a specific telephone call. They said that call was essential because it shows that they provided complete details of M's business activities. In addition, if the call had been recorded it would have been easier to discuss outstanding points with the KYC team in future. They also remain puzzled as to why Barclays failed to respond to some of their correspondence.
- One member of Barclays' staff told them that the bank now has all the information it needs about M's business activities, but they would like reassurance that M will not have any further issues with KYC.
- M's credit rating was affected by the return of its direct debits and standing orders. Up until the closure of its bank account, M had always honoured its commitments. But afterwards, suppliers started calling and threatening to stop the supply of services they provided.
- Over the last two years they have had to spend 25 to 30 hours on correspondence which could have been avoided if Barclays' KYC team had acted properly. Between September 2023 and May 2024 one of the directors had to use their own personal bank account to deal with M's financial transactions and prepare the company's accounts for submission to the relevant authorities. All of those activities took the director a considerable amount of time.

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 am sorry to further disappoint M's directors, but having considered their further comments I have reached the same conclusions as I did in my provisional decision, for broadly the same reasons. I explain further below.

I know M's directors would like to know why Barclays took various actions, but it is not my role to determine that. My role is to reach what I consider to be a fair and reasonable outcome to M's complaint that its bank account was closed without notice. I am satisfied that I can do that without, for example, finding out exactly why Barclays failed to respond to a particular piece of correspondence. I have explained why I am satisfied that Barclays was wrong to close M's account when it did, but I have not carried out any root cause analysis or made any attempt to establish why Barclays made that mistake.

I am also unable to give M's directors any reassurance about future KYC issues. Banks in the UK are strictly regulated, and must take certain actions to comply with their legal and regulatory obligations. KYC is an ongoing obligation for Barclays – it is not something the bank can do once and then be done with forever. I would expect any bank to conduct period KYC reviews of all of its customers, and that means Barclays may carry out a further review of M's account. I am not willing to say anything now that might have the effect of fettering that review, other than to say that I would expect any bank to follow all relevant rules and regulations. If M's directors are unhappy about a future KYC review, then they can complain to Barclays. If they remain unhappy, it may be open to them to bring that complaint to the Financial Ombudsman Service (subject to our jurisdiction rules at that time).

M's directors did not provide any evidence in support of their comments about M's credit rating. But in any event, I can see that M's directors were able to take action to mitigate M's losses by using a personal bank account. They could also have taken alternative actions, such as opening a bank account for M somewhere other than Barclays (which could not have been done instantly – but M's Barclays account was closed for almost seven months, and I would expect that alternative banking arrangements could have been set up well within that time). In the circumstances here I am therefore not persuaded that it would be fair for me to order Barclays to pay compensation for any damage that M may have suffered in respect of its credit rating.

Complying with the KYC review would always have taken up some of M's directors' time, but I accept that Barclays' actions meant they have had to spend more time than they should have done. That was time they could not spend on M's other business, and resulted in inconvenience to M. I have taken that issue into account when assessing my overall award for inconvenience, which covers the impact of the closure as well as the inconvenience related to long telephone calls and the bank's failure to reply to M's correspondence.

Having looked at all the evidence that has been provided, I remain satisfied that the compensation I proposed in my provisional decision represents a fair outcome to this complaint.

My final decision

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

- Interest on the balance of M's closed account, at a rate of 8% per year simple, calculated from 28 September 2023 to 22 April 2024.
- £500 to apologise for the inconvenience that it caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 27 March 2025.

Laura Colman
Ombudsman