

The complaint

Mr L, one of the partners in a partnership which I'll refer to as M, complains about Barclays Bank UK PLC's (Barclays) closure of its account (the Account) during their Know Your Customer (KYC) review.

What happened

There's little dispute between the parties about the core events in this case. So, what follows is a summary of what happened.

- In October 2021, Barclays began their KYC review into the Account. To that end, on 29 October 2021, the bank wrote to the partners, asking them to update M's business details.
- The review continued into 2023, primarily because Mr L told the bank that more time was needed to collate all the information it had asked for.
- On 30 August 2023, Barclays sent a warning letter to M saying they had placed restrictions on the Account. The bank said it needed the partners to contact them within 30 days to avoid further restrictions and closure of the Account within 60 days of the date of the letter.
- On 3 October 2023, Barclays wrote again to M confirming that restrictions were being applied to the Account since the bank hadn't heard from it.
- On 31 October, Barclays closed the Account purportedly on the basis they hadn't received the outstanding information M was asked to provide. The information did however, arrive on 2 November. And a request was submitted to the relevant department within the bank to reopen the Account on the basis the closure resulted from the bank's error.
- On 16 November, the Account was re-opened with M now having full access to its funds.
- Barclays paid M £500 in acknowledgement of their error and the upset and inconvenience caused to M.

But Mr L didn't think the compensation went far enough and has told us that:

- The Account was closed whilst he was abroad on holiday which led to concern and worry about payments that were scheduled to go out from it.
- Considerable time and effort were needed by him, liaising with the bank in an attempt to remedy matters.
- The closure had wide-ranging knock-on effects – including the following:
 - An HMRC payment couldn't be made because the Account was closed.
 - A medical supplier – who I'll refer to as P, ended its relationship with M resulting in a £4,000 financial loss.

- From the perspective of its staff, clients and suppliers, M's reputation was damaged by the closure.

Since Barclays were unprepared to take any further action, M's complaint remained unresolved. So, Mr L referred it to this service to look into.

Our investigator did so. She noted Barclays' acknowledgement that they'd made an error when they closed the Account, and their decision to pay M £500 in compensation for the inconvenience caused by that error.

But she didn't think the amount went far enough. Specifically, she didn't think £500 properly reflected the fact that Mr L had to spend time on the phone discussing matters with the bank. She was satisfied this took time away from Mr M's enjoyment of his holiday, and the worry of the situation impacted his mental wellbeing and ability to relax. So, she concluded that Barclays should do more to recognise this, and therefore recommended they should pay a further £250 compensation - taking the total compensation amount to £750.

However, our investigator was less persuaded by Mr L's additional claim for compensation. She said – in summary:

- In relation to Mr L's claim M could not pay a bill from HMRC due to the Account's closure, she observed that the bill was due on 22 November, whereas the Account was reopened, and funds restored on 16 November. So, she saw no good reason M could not settle the bill. She therefore didn't think Barclays could reasonably be held responsible for M missing the payment.
- She was persuaded M suffered some reputational damage with clients, staff as well as suppliers because of the Account's closure. But she noted that Barclays provided an email to M explaining the Account's closure wasn't M's fault or a reflection of its financial standing. So, she believed therefore, that M would have been able to share this email with any affected parties by way of reassurance that it wasn't to blame for what had been the bank's error.
- And neither was she persuaded by Mr L's submission that M incurred a financial loss of £4,000 due to losing P as its normal supplier of drugs for its business. In particular, she wasn't persuaded by Mr L's testimony, about how the loss occurred. In other words that P ended its relationship with M because of the Account's closure which in turn meant M had then to source its drugs elsewhere at increased costs. Having considered Mr L's supporting evidence, which was a solicitors' letter, dated 21 November 2023, she observed that the letter stated that M owed funds to P and said:

“unless our client receives payment of this sum [£2,365.38] on or before 28 November 2023 court proceedings may be taken against you’.
- On the basis of this evidence, she not only believed it failed to demonstrate P had ended its relationship with M, but that it neither showed this had been done as a result of the closure of the Account.
- Furthermore, she also noted that the letter was dated five days after the Account was reopened. So, she was unclear why M wouldn't have been able to settle P's claim since the letter further confirmed that if the payment was made by 28 November, no further action would be taken.

Barclays accepted the investigator's conclusions. But Mr L didn't. He largely maintained his original position that M incurred a loss of £4,000. But he said also:

- M's other partners are clinicians, not business managers. So, no one else was equipped to sort the matter out with Barclays in his absence on holiday. His holiday

was ruined as a consequence because he had to engage with the bank to try to put things right.

- There was no access to the £17,495.79 in the Account from 31st October 2023 until 16th November 2023 which impacted M.

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 find there isn't a great deal that I can usefully add to the investigator's conclusions which I agree with and for broadly the same reasons.

To begin with, everyone agrees that Barclays made a mistake; the bank accepts that it wrongly closed the Account. That means there is no need for me to decide whether an error occurred. Clearly it did.

And rightly in my view, Barclays also accept that M was inconvenienced by their error for which they've already paid £500 in compensation.

I note our investigator suggested that an additional payment of £250 would be fair and reasonable in the circumstances of this case - meaning the total compensation Barclays are required to pay is £750.

Considering this, all I need to do is decide what, if anything further, Barclays need to do to put their error right. And to that end, I've thought about Mr L's submission regarding the broader impact on M because of the bank's error – including financial loss which I come to first.

financial loss of £4,000

I note it's Barclays' position that in light of clause 8.2 of the terms and conditions of the agreement between M and the bank, in circumstances where a loss of this type arises from their error, they are not responsible for it. But, as ombudsman, my remit is to make my determination by having regard to what is fair and reasonable in the circumstances of the case.

Having considered M's case, I'm not persuaded Barclays' error caused M to suffer the financial loss for which Mr L is claiming compensation on its behalf. I'll explain why.

I've thought about M's representation that P's termination of its relationship with M led to this loss. And more to the point that the termination happened because of the closure by Barclays of the Account.

But I'm not persuaded the key item of evidence – the letter dated 21 November 2023 that Mr L has submitted supports that conclusion. As noted above this is a letter before action from the solicitors acting for P. And it is dated 5 days after the Account was reopened. It gave M seven days from the date of the letter to pay the amount referred to in the letter. In my opinion this suggests that P was owed money by M.

The letter added: "...our client has previously provided you with copies of the relevant invoices and statements". This suggests there was a longstanding dispute between M and P which ultimately led to the threat of legal action. And more to the point, was unconnected to the closure of the Account which happened around three weeks before the date of the letter.

Moreover, M was given until 28 November 2023 to settle the amount P was demanding which would put an end to any further action. At the date of the letter the Account had already been restored and up and running with M having full access to its funds.

So, considering all of the above, I've seen no clear evidence that the closure of the Account led as Mr L submitted, to P terminating its relationship with M, let alone that this caused £4,000 of financial loss for the reasons Mr L has maintained.

loss of reputation

In light of these events, Barclays provided an email to M. Headed: *"To whom it may concern"*. The e-mail said:

"I write regarding a recent issue where the above account was closed in error and direct debits and standing orders were cancelled. I can advise that this is no reflection on the financial standing of the business itself. The surgery has banked with Barclays for many years and we have had no issues to date.

I hope that this reassures you of their financial standing and can ensure that there are no ongoing implications as a result of this incident".

I'm satisfied that in the circumstances Barclays did what reasonably was expected of them – which was to provide M with correspondence that was capable of being shared with customers and others to assuage any fears or concerns about M's financial standing.

HMRC bill

I've looked at a copy of the bill that M submitted in evidence. It shows that the period it covers is 6 October to 5 November 2023 and it was for a total of £4,334.98. But as the investigator observed, the bill due date is stated to be 22 November 2023. On the basis therefore that the Account was re-opened six days before - on 16 November, 2023, like the investigator it's difficult to conclude the closure of the Account caused the bill not to be paid when it's clear that by the date the payment was due, M already had full access to the Account and its funds.

award for inconvenience.

I'm satisfied M has been inconvenienced by Barclays' error. And this does include, as Mr L alluded to, M's inability to access the Account for the days it was closed. But apart from the HMRC bill which I've dealt with above, Mr L has not argued the lack of access meant that M was otherwise prevented from making payments that were due between the period the Account was closed.

Finally, I've thought about whether Barclays should be directed to pay further compensation to M because Mr L thinks £750 falls short of the amount M is entitled to

We publish information on our website about our approach to awards for non-financial loss' which is available at:

<https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

Our guidelines suggest that an award of around £500 is fair and reasonable where a financial business has caused significant inconvenience and/or distress, upset and worry and with the impact typically lasting over many weeks or even months.

I'm satisfied that the inconvenience M suffered was significant. But I agree with the investigator that when the impact of the bank's error on Mr L's holiday is considered, for the reasons the investigator explained, Barclays did need to do more. In particular, to recognise that Mr L's enjoyment of his holiday was significantly compromised through the worry and upset about what had happened. I also concluded that the impact on Mr L's holiday was more significant than the £500 compensation the bank paid M properly recognised.

With that in mind and having thought about the general framework which this service considers when arriving at compensation amounts for inconvenience and using my own judgement I think that an additional award of £250 is reasonable.

Putting things right

Our investigator suggested that an additional payment of £250 to M, meaning the total compensation Barclays needed to pay was £750 would be fair and reasonable compensation in the circumstances of this case. I've reached the same conclusion. In other words that £750 in total which includes the £500 already paid by Barclays fairly reflects the impact of the issues raised in this case and is a fair way to resolve this complaint. I haven't been persuaded to increase the award further.

My final decision

My final decision is I uphold this complaint. In full and final settlement of it Barclays Bank UK PLC should pay M £250 for the inconvenience this matter has caused to M.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 18 April 2025.

Asher Gordon
Ombudsman