

The complaint

A company, which I will refer to as S, complains that Barclays Bank UK Plc wrongly closed its bank account.

What happened

In 2023, Barclays carried out a Know Your Customer (KYC) review of S's account. On 18 October 2023 the bank closed S's bank account, on the grounds that S had not complied with its review. Barclays sent S a cheque for the balance of the account around two weeks later. The account was re-opened in early January 2024 (although one of S's directors told us she did not know about the re-opening until February 2024).

Barclays later accepted that it had made a mistake when it closed the account. Everyone now agrees that S had been complying with the bank's KYC review, and that the bank was wrong to close S's account. The dispute is now about how much compensation Barclays should pay as a result.

Barclays has offered to pay a total of £1,168 (made up of £750 for inconvenience, and £418 for interest over the period S's directors did not have access to its accounts). One of S's directors said she thought compensation should total at least £250,000 (£100,000 to her as an individual, and £150,000 to S). She later revised that figure to a total of £100,486.

One of our investigators looked at this complaint, and explained why she thought Barclay's offer was fair. Briefly, our investigator was not satisfied that Barclays' errors had caused the losses that S's director claimed. In addition, our investigator didn't think S's directors had done enough to avoid the losses that they say that Barclays caused.

S's directors did not accept our investigator's opinion, so the matter was referred to me.

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 reviewed all of the evidence, whilst I am sorry to further disappoint S's directors, I think our investigator was right to say that Barclay's offer is fair. I explain why below.

Before I discuss any of the evidence, I first want to explain why I have summarised the documents that S has provided. That is partly a reflection of the informal nature of the Financial Ombudsman Service, but it is also because I am required to ensure that S cannot be identified when this decision is published. There are few (if any) other organisations carrying out precisely the same type of work as S. If I were to give details of exactly what it is that S does, I would effectively be identifying S. I want to reassure S's directors that I have nevertheless carefully considered everything they have provided.

Costs associated with fieldwork

Some of S's activities involve fieldwork followed by analysis. The fieldwork is specialist, difficult, and can be dangerous. It can only be carried out under certain atmospheric conditions, and only at certain times.

One of S's directors told us that Barclays' decision to close S's bank account meant that S's 2023 fieldwork was wasted. S could not pay third parties to analyse samples taken, which mean that the 2023 fieldwork had to be repeated – effectively wasting a year.

S has provided a substantial volume of evidence to show the importance of the fieldwork that S does. But I am not persuaded that the evidence shows that Barclays' mistake caused any of that fieldwork to have to be repeated.

I can see that an institution offered to do partial analysis of some of the S's 2023 samples for free, but S's director explained that S would still have to pay for the rest of the analysis. I accept that the director was unwilling to enter into any contracts for that analysis when she didn't have access to S's funds. But I think our investigator was right to say that S's directors could have done more to avoid the losses they are now claiming, for example by opening a bank account elsewhere.

I acknowledge that S's directors have said that they did not all have access to the internet or to a printer, and that branch visits are difficult given that they do not live near to one another. They have also said that the Barclays branch nearest the area where S's work takes place has closed. In addition, S's closed Barclays account did not have an associated monthly charge, and they did not want to pay for an alternative account (nor did they want to carry out the lengthy process of opening a new account with either Barclays or a competitor). However, in the overall circumstances here I do not think it would be fair for me to hold Barclays responsible for the costs of S's 2023 fieldwork (or for the costs of any further fieldwork S carried out in 2024 or later). Barclays sent S a cheque for the balance of S's account soon after the account closure, and I don't think it is Barclays' fault that S's directors chose not to open an account elsewhere.

Income lost over the winter of 2023/24

One of S's directors has said that the emotional upset Barclays' error caused to her meant that she couldn't go ahead with some work that had been planned for the winter of 2023/24. She also said that the lack of access to funds meant that S could not cover the setup costs for that work.

Again, I have carefully considered S's evidence, but I am not satisfied that Barclays' error was the reason the work planned for the winter of 2023/24 did not go ahead. The costs associated with some of the planned work were relatively low, but in any event I don't think Barclays did anything to prevent S from opening an account elsewhere.

Damage to S's property

S owns a large historic item. S's director told us that Barclays' error meant that S did not have the funds to build a roof to protect that item from damage over the 2023/24 winter, which will greatly increase the restoration costs.

Our investigator noted that S also owned the item during the winter of 2022/23, but did not build a roof to protect the item during that period. S's director later explained that the item was being stored elsewhere during 2022/23, but later moved to a place where a roof was needed in winter (but would have been detrimental in summer).

As discussed above, given that S could have opened an account elsewhere I don't think Barclays' actions prevented S from having access to its money for more than a few weeks. That means I don't think Barclays prevented S from building a roof to protect the item.

S's director has also suggested that Barclays should pay for the whole of the costs of restoring the item. Even if I did think that Barclays had caused damage by preventing S from building a roof, I would only require Barclays to pay for the additional costs that it had caused. I would not require Barclays to pay for the whole of the restoration. S has not provided evidence to show the amount of any additional costs suffered as a result of Barclays' mistake.

Emotional harm to S's director

One of S's directors has spoken eloquently about the mental and emotional distress she suffered when she found out that Barclays had closed S's bank account. She told us that knowing Barclays had ruined her business caused her to feel suicidal. The impact on her mental health was profound, and from October to December 2023 her days were entirely consumed by this issue.

It is clear that S's director has been through an extremely difficult time, and I thank her for her openness with us. But I simply do not have the legal power to make an award for her personal suffering, and I have no discretion on that point. The bank account at the centre of this dispute was S's account; it did not belong directly to the director. That means that the complainant here is S, and I can only make an award to the complainant. Companies like S are not capable of suffering emotions, and they cannot be distressed. I do not have the legal power to make any kind of award to recognise the distress suffered by individuals associated with S.

Putting things right

Barclays' error did cause some inconvenience to S. One of S's directors has suggested that Barclays should pay around £16,750 for non-financial loss (including loss of reputation), but I disagree.

We publish information on our approach to awards for non-financial loss on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>. Taking that guidance into account, looking at what happened here, and applying my own judgement, I don't think it would be fair for me to make an award of more than the £750 Barclays has already offered. I acknowledge that one of S's directors has said that the impact of Barclays' error will disrupt S's operations for several years, but I have not seen sufficient evidence to persuade me of that. In any event, I don't think it would be fair for me to make an award for losses which S could have reasonably avoided. Here, as I have explained above I think S's directors could have taken actions to reduce the losses S suffered, such as by opening an account elsewhere. Put another way, I think S's directors could have done more to mitigate S's losses.

Barclays has also offered to write a letter confirming that it closed S's account in error. I know that S's director says a letter is insufficient and she wants financial compensation, but I think a payment of £750 is enough.

Barclays has also offered to pay interest at 8% per year simple for the time S did not have access to its money. I acknowledge that S's directors will strongly disagree with me, but I have not seen anything to persuade me that it would be fair for me to order Barclays to pay more than that for financial loss.

My final decision

My final decision is that Barclays Bank UK Plc's offer to pay S £1,168 to S was fair. If the bank has not already done so, it must pay that amount to S.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 4 April 2025.

Laura Colman
Ombudsman