

The complaint

The trustees of a charity, which I'll refer to as J, complain that Barclays Bank UK PLC (Barclays) unfairly closed J's bank account (the Account) during their Know Your Customer (KYC) review.

In bringing this complaint, the trustees are represented by J's Director of Operations, who I'll refer to as Mr M.

What happened

The background to the complaint is set out in my provisional decision dated 28 March 2025, which forms part of this decision.

I provisionally concluded the following:

"Banks in the UK are required to carry out certain actions in order to meet their legal and regulatory obligation. That involves conducting ongoing checks and monitoring of new as well as existing relationships. Barclays chose to do this by way of the KYC review and to that extent, I do not think they did anything wrong when in January 2023, they decided to conduct this review into the Account.

I note nonetheless that the crux of J's concern, isn't so much that the decision to conduct the KYC review was unfair. And in any case, Mr M believes that J provided everything Barclays asked for, to complete the review successfully.

Rather, according to Mr M, Barclays closed the Account because of their unhappiness with J's structure. In particular that their records showed that J operated as an unincorporated charity whereas it was an incorporated charity as reflected in the Charity Commission and Company House's records. So, he believes J was unfairly debanked for that reason.

I don't think I have enough evidence to say that the closure of the Account was solely to do with concerns regarding J's structure as Mr M asserts. Undoubtedly, J's structure was a factor, but I can't be sure it was the only one.

However, I don't think this is a pivotal point. Despite what Mr M understood from his phone conversation with the bank on 9 August 2024, I'm satisfied that the letters Barclays sent to J on 26 and 31 August 2023 asking it to contact them indicate that the KYC review hadn't yet been completed.

It's Barclays' case that J's existing structure needed to change in order for the KYC review to be completed. And this meant completion of the CILS process. I don't think that was an unreasonable position for the bank to take. Especially because the KYC review was intended to make sure that in relation to J, the bank's records were up to date and correct which they were not. To put this right therefore, J needed to complete the CILS process. Considering the above, specifically that up until 31 October 2023, the CILS had still to be completed, I've thought about Barclays' decision to close the Account and I've provisionally concluded the following:

- *Whilst Barclays were entitled to carry out their KYC review into the Account, they acted unfairly when they closed it. I don't think they should have done so when there's no evidence they gave J written notice beforehand of their intention to do so. Furthermore, the bank has acknowledged that when it spoke to Mr M on 24 October, despite having the opportunity to do so, it didn't tell Mr M that the Account was scheduled to close the following week.*
- *I'm satisfied the CILS, needed completion as part of the KYC review. But here too I think there were failings on Barclays' part. In connection with the CILS, they've acknowledged Mr M told the bank that he would speak to its New Customer Team as he was advised to do. But that it might be some time before he'd be able to do so because he needed to speak to elderly benefactors to ensure they stopped their donations to the Account. This suggests J was prepared to engage with the CILS process despite Barclays' submission that initially it was reluctant to do so.*

I'm satisfied Barclays were entitled to close the Account based on the type of entity in which J operated. And I don't think the fact it had operated as it did since 2015, strictly speaking is relevant. Whilst the closure was always going to happen at some point after the CILS was completed, I think the bank's decision to do so when it did was premature and unfair.

To be clear, the problem here is that Barclays should have given notice of the closure and failed to do so. So, in my consideration of the compensation that would be appropriate in this case is based not on the closure itself but the lack of notice by the bank.

I'll come later to the inconvenience J suffered due to the closure and whether the compensation that's been offered fairly reflects the extent of that inconvenience. But first I come to the issue of financial loss.

financial loss

Broadly speaking I can see that a charity can suffer financial loss because of the unexpected and erroneous closure of its bank account. But I can only award compensation for that loss where I'm reasonably satisfied the bank's error caused it and it was a reasonably foreseeable consequence of the error.

I thank Mr M for setting out what he regards as the extent of J's financial loss arising from the closure of the Account. And I note that the claims he's submitted are precisely calculated. However, I'm not persuaded by Mr M's submission regarding J's alleged losses. In saying that, I haven't closed my mind on this. I remain open to considering any further evidence Mr M may wish to send to me. I come now to the individual losses for which J requires compensation.

Loss donation - £24,851.93

I don't doubt that the bulk of J's donations were collected using the Account. So, its closure would have had an effect. But I've seen no clear evidence of how J's figure was arrived at, save for Mr M's submission that the amount represents lost donations from eight of J's donors – meaning each was responsible for donations in excess of £3,000.

These are substantial individual donations which perhaps point to a high degree of commitment by those donors towards J. So, it seems to me in all likelihood if J's donors had felt strongly that they wished to continue supporting it, they would have renewed their donations and reimbursed J with any donations that might have been returned due to the Account being closed.

In any case Mr M has acknowledged that higher inflation and pressure on donors due to increased costs may more broadly have affected donors' ability to make donations. I agree that's a strong possibility. Considering the above, I don't think I can reasonably say it was the Account's closure that caused the loss of donations to J.

Staff costs - £13,148.06

Based on Mr M's testimony, I understand that J's entire operations team – said to be two part time members of staff - were asked to cease substantially all other activities and focus exclusively on attempting to recover donations. Mr M says this was over a three-month period.

But it's not obvious how staff costs in excess of £13,000 came to be incurred in such circumstances when what seems to have occurred was a redeployment of existing staff resources.

More broadly, I would add that in circumstances where a complaint is made to us by a complainant business about an alleged error by a bank, and we make a finding in favour of the complainant business, we wouldn't generally award compensation by reference to the salary of the employees who may have helped to put things right. Our approach is to consider the overall impact of the error – including the degree of inconvenience that was caused generally by the disruption. I've done so in J's case, and I set out what I think in later paragraphs.

loss of partner time - £23,185.25.

As I understand it, in its operations, J is also helped by various volunteers called 'mission partners'. Mr M has told us that in order to try to recover some of the loss of income that J incurred due to the closure of the Account, in addition to its own staff members, it got in touch with the partners to help it contact supporters and encourage them to reestablish their payment arrangements.

But according to Mr M the effect of this, was that the partners had to take time away from their charitable activities. This part of J's claim therefore is intended to represent the contributions that would have accrued to J had the partners' time been directed towards income generated activities on behalf of J.

I think there are two issues here. In effect Mr J is saying that the partners had to do one type of income generating activity (contacting supporters) rather than a different type of income generating activity (whatever it was they were doing before). I don't see that it's Barclays' fault if the activity the charity chose to do ended up generating less income than the one they chose not to do.

Secondly despite Mr M's figures, I don't think there could be any real certainty how much income the partners could have generated in any event.

Non-financial loss

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>.

I'm satisfied the unanticipated closure of the Account did impact J significantly. In particular the disruption caused by the closure and the extra effort Mr M described that was needed to contact around 150 of J's donors to resume their donations. He's told us suppliers needed contacting too and it was necessary to re-establish direct debit arrangements for various other payments from and to the Account. However, I'm satisfied this would have needed to happen anyway after the completion of the CILS since a new account would have been needed to reflect the new entity.

And I also note Mr M's testimony that a number of J's supporters were concerned about the closure of the Account and raised questions about its solvency which meant staff had to explain the position and provide reassurance. I understand his submission that this impacted J's reputation but there doesn't seem to have been any significant or long-term damage to that reputation.

The impact on J may have been more severe if it were not, as Mr M has explained, that J already had another bank account at the time this event occurred. So, it was able to migrate most of its financial transactions to this account. This undoubtedly helped to mitigate the impact of the closure.

Taking all of the above into consideration, our published guidance as well as applying my own judgement, my provisional view is that the compensation recommended by the investigator is fair for the inconvenience J suffered. Added to this, Barclays have agreed to pay interest in the amount mentioned above. Taken together, I intend concluding that this is a fair way of resolving this complaint

What happened after my provisional decision.

Barclays accepted my provisional decision. But the trustees did not. On their behalf Mr M wrote with further detailed submissions. By and large, however, those submissions expanded the arguments Mr M originally made about the extent of J's alleged financial losses and why Barclays should refund them.

In summary Mr M said:

- With the approval of the Charity Commission, on 23 November 2015, J converted from an unincorporated charity to a Charitable Incorporated Organisation (CIO). Barclays knew about the change. Indeed, beforehand, he asked the bank if the intended conversion would impact J's bank account. And on 23 October 2015, Barclays sent an email to J to say:

"I can confirm that the legal change to a CIO will not have any impact on the bank account. All account details will remain the same".

- Since then, J operated in line with its new legal structure.
- In October 2023, Barclays told him it would like J to close the Account and open a new one, with a different account number and sort code. And despite reminding Barclays of the promise given in its 23 October 2015 email, Barclays nonetheless insisted on this action. Furthermore, the bank ignored his representation that the process would be costly and time-consuming as it would involve the migration of all its donors and payees to the new account.
- Because of the closure of the Account, J lost the contributions of eight donors who, between them contributed between £10 and £50 per month. Many of these donors

were elderly or infirm and it wasn't possible to contact them to recover these gifts. The £24,851.93 figure representing the lost donations from the eight donors assumes their donations would, including Gift Aid, have continued for another 10 years.

- The staff costs of £13,148 that's being claimed represent 3 months' worth of donations that two members of staff were unable to generate because their time and efforts had to be directed towards the administrative tasks of recovering lost donations.
- The same principle has been applied when calculating the financial loss of £23,185.25, that arose from having to direct six of J's partners towards also helping to recover lost donations. In other words, the figure represented the time they were unable to carry out the activities for which they were paid because they were diverted elsewhere.

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 start by acknowledging how strongly the trustees feel about J's complaint as is evident by Mr M's detailed submissions to us. And I want to assure the trustees that I have considered all the points Mr M has made both in his initial and subsequent submissions.

I mean no discourtesy in saying this, but my decision won't address all the points that have been made by Mr M. That's because in keeping with our role as an informal resolution service and as our rules allow me to do, I will focus on the issues I regard as material to the fair and reasonable outcome of this complaint. Therefore, where I've omitted to comment on any specific point, it's not because I haven't considered it – I assure the trustees that I have. The reason I haven't commented is because I don't think I need to in order to reach that fair and reasonable outcome I just mentioned.

I turn now to the substance of my decision, and I come first to the way J had been operating at the time the KYC review began in January 2023.

To avoid any doubt, I should make clear that I accept Mr M's evidence that up to 23 November 2015, J operated as an unincorporated charity. Whereas afterwards, with the approval of the Charity Commission, it became a CIO and in the years that followed operated as such.

I also acknowledge Mr M's submission that in 2015 J made Barclays aware of the change in its structure. And furthermore, based on the exchange of correspondence between Mr M and the bank dated 19 and 23 October 2015, I agree with Mr M that Barclays' email of 23 October 2015 provided the assurance he sought from the bank when on 19 October 2015 he specifically asked Barclays for confirmation that J's conversion to a CIO :

“ will not require any change to our bank account, existing standing orders and other arrangements”.

But Barclays' position is that at the time they began conducting the KYC review in 2023, they realised that the Account did not reflect J's changed structure that had taken place in 2015. Unsurprisingly perhaps because as I noted above the Account was opened in 1984 and up until November 2015 it had been an appropriate account reflecting J's structure as an unincorporated charity. Added to which the bank had already assured J that no change to the Account was necessary and therefore, none was made.

Despite Mr M's feeling that Barclays acted unfairly when in 2023 they changed their position regarding the Account, I'm afraid I disagree. I say that because in part the purpose of the KYC review was to identify and put right any discrepancies in the way the Account operated. So, I do not think that it was unreasonable for Barclays to require the changes that were necessary to ensure that going forward the account linked to J properly reflected J's existing legal structure. To that end therefore, I'm satisfied that on 24 October 2023, the bank fairly advised Mr M that a CILS was needed before the KYC review could be completed. And in particular that as part of the process, a new account had to be opened on behalf of J.

Against that background, it is also difficult to support Mr M's point that Barclays actions in this regard were motivated by a discriminatory desire to debank J because they were unhappy about its structure.

I would also add that in spite of Mr M's testimony that J had provided Barclays with all the information they needed to complete the KYC review, I'm not satisfied that was indeed the case. I say that because as noted above, at least from 24 October 2023, Mr M was in no doubt that as part of the KYC process J needed to have a new account in place that reflected its existing structure. Specifically, that would have meant the closure of the Account as this was an inevitable and necessary part of the process. Mr M was aware that to kick start things he needed to speak to the bank's New Customer Team. Indeed, I'm satisfied he was willing to cooperate with the process, albeit not unreasonably he told the bank that, there were administrative challenges to overcome such as the need to speak to elderly benefactors which would likely impact the speed at which he'd be able to complete the process.

That being said, I'm satisfied Barclays were entitled to close the Account where they were unable to properly complete their KYC review because all the necessary processes, especially those highlighted in the preceding paragraph remained uncompleted.

Nonetheless, Barclays should have given notice of the closure and failed to do so. In the circumstances of this case therefore, I think the bank acted unfairly when it closed the Account. As I indicated in my provisional decision, my award of compensation is therefore aimed at taking into account the lack of notice rather than because of the closure itself.

I now turn to the issue of the financial loss that Mr M has told us J incurred as a result of the closure of the Account.

I thank Mr M for explaining how he's calculated the donations in excess of £24,000 that J lost from the eight donors he identified. Mr M has explained many of these donors are elderly or infirm and so it wasn't possible to contact them to recover their donations which ranged between £10 and £50 per month.

Having identified the relevant eight donors, it is not entirely clear to me why their age and frailty meant contacting them was seen as impossible. Nonetheless, given this description by Mr M, there may have been a reluctance on J's part to do so. And I can't rule out the possibility the age and frailty could also have meant the donors might not have wished to continue with their donations in any event. Neither can I rule out, as Mr M himself acknowledged that higher inflation and increased costs at this time may have affected the ability of donors generally to make donations. I think in all likelihood the eight donors would have been similarly affected.

I make one further point regarding Mr M's calculations. I note that in the calculation of the £24,000 loss of donations from the eight donors, Mr M has assumed a 10-year period over which such donations would have continued. But here too Mr M's description of the eight

donors is relevant. In light of his description, it cannot be certain their donations to J would have sustained over the length of time factored in by Mr M in his calculations.

I turn next to J's claim for staff and mission partner costs. And here too I'm grateful to Mr M for explaining why he thinks Barclays should cover these as losses incurred by J.

I would observe that Mr M's explanation of how he's calculated the figures that he's given us is complex. In particular when it comes to the alleged loss associated with the partners. In this connection, Mr M said that the partners are based abroad and are supported by various benefactors who cover their living and maintenance costs. According to Mr M, his calculation takes into account the average monthly cost for supporting each partner- which is around £5,800. He then assesses J's loss by estimating the amount of time each partner had to spend in what would otherwise have been unnecessary administrative work in trying to recover lost donations.

What seems clear is that in relation to J's alleged financial loss that are associated with staff members and partners there's a simple principle on which Mr M has based his calculations. Put simply, Mr M's calculation is based on the proposition that there was a financial disadvantage to J that resulted from having to redirect its staff and partners from the normal day to day activities that were being performed on behalf of J, to focus on recovering lost donations.

I would expect complainants to do what they reasonably can to minimise the impact of a bank's error. In other words, to keep any potential loss to a minimum. This seems to be the action that J took when it decided to redirect its staff and partner resources towards the recovery of donations and other things following the closure of the Account.

That was a decision J took on the likely assumption this was the better option rather than leaving its staff members and partners to continue their normal activities. It seems J may have thought spending time recovering donations was worth the redeployment of its staff and partners rather than allow them to continue their day-to-day activities.

Mr M has told us there were around 150 donors that needed to be contacted. And as already noted it wasn't possible to contact eight of them. This relatively low figure of uncontacted donors, suggest J had been highly successful in its endeavours. So, I don't think it would be reasonable for J to also get the costs of attempting to recover those donations as well as benefitting from the recovered donations themselves. Therefore, I do not require Barclays to compensate J by the amount being claimed for its financial loss.

Putting things right

As I explained in my provisional decision, taking everything into account, I'm satisfied the unanticipated closure of the Account did impact J significantly in that it suffered significant inconvenience. To put things right, I think the bank should take the steps I set out in my final decision below.

My final decision

My decision is that I uphold this complaint in part and in full and final settlement of it I direct Barclays Bank UK Plc to pay J:

- £500 for the inconvenience caused to it
- Interest on the balance in the Account at a rate of 8% per year simple, calculated from the date of closure on 31 October 2023 to 28 November 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 15 May 2025.

Asher Gordon
Ombudsman