

## **The complaint**

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

One of O's trustees, Mrs M, represents the charity in this complaint.

## **What happened**

Barclays told us:

- In 2023 it began a Know Your Customer (KYC) review of O's account.
- In June 2024 one of its staff spoke with Mrs M and established that a mandate change was required.
- It closed O's account on 30 October 2023. It accepts that Mrs M and O were in contact with the bank throughout, and that they were in no way at fault for the closure. The underlying reason for the closure was a miscommunication between two of its internal teams.
- On 1 November 2023 a member of the bank's staff requested that the account be re-opened. However, due to a further error, the account was not re-opened until 27 December 2023.
- It initially offered O £200 in compensation. However, on reflection, the bank considers that it should pay £500 for inconvenience, plus interest of £653.20. It calculated interest by applying a rate of 8% per year simple on the closing balance of the account, over the period O did not have access to its money.

Mrs M told us:

- The compensation is nowhere near sufficient in the circumstances.
- O's representative lost many hours simply trying to find out what had happened to O's Barclays account. When they eventually discovered it had been closed, it took many more hours for them to recover the funds. Barclays couldn't tell them whether the account would be reopened, meaning that they had to spend yet more time opening an account elsewhere and setting up new payments, direct debits and so on.
- Barclays then reopened the account even though they had told it not to do so. O's representatives spent further time rectifying Barclays' further mistakes, including having to cancel payment details.
- O's representatives lost yet more time dealing with O's EPOS system. They had to get a new account registered twice – once to use a trustee's account as a temporary measure, and then a second time when O's new permanent account was in place.

- One of O's trustees was placed in a very difficult position, because – with permission from O's auditors and their bank – they used their personal account for O whilst O did not have a bank account of its own.
- O suffered a loss of reputation, because it had to tell customers and suppliers that its bank account had been closed without explanation. That led to rumours and speculation that O then had to counter.
- She estimates that O's staff spent at least 100 hours on this matter. At a staff rate of £20, that would amount to £2,000. That doesn't include lost revenue from other activities that staff should have been doing instead.
- Finally, she believes that punitive damages should be awarded against Barclays. In her view, at the time O's account was closed Barclays was already aware of major investigations into its KYC scheme, and yet it failed to take proper remedial action. The bank continued to act knowing that its KYC protocols were flawed and that its staff lacked training. The compensation offered allows Barclays to get off virtually scot-free and does not serve as an incentive for the bank to put proper protocols in place to ensure the same thing won't happen to other customers.

One of our investigators looked at this complaint. She agreed that Barclays had made significant errors, but she thought the compensation Barclays had already offered was fair. Mrs M did not agree, so the complaint 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 done so, whilst I am sorry to further disappoint O's representatives there is very little I can add to what our investigator has already said. I agree that the offer Barclays has already made is fair. But I will make some further comments below.

The dispute here is not about whether Barclays has made a mistake; everyone agrees that it has. The bank closed O's account when it should not have done, reopened an account that was no longer wanted, and failed to give accurate updates (or, at times, any updates at all) about what it was doing. The dispute is now solely about what Barclays should do to put things right.

Barclays is regulated by the Financial Conduct Authority, not by the Financial Ombudsman Service. I do not have the power to order Barclays to change its procedures, or to alter the way it carries out KYC checks in future.

As an ombudsman, I only have the legal power to award compensation to O for losses that it has actually suffered. I know that O's representatives consider that a high award for damages would send a message that the bank's behaviour was unacceptable, but I do not have the power to make an award for punitive damages.

Where a bank makes a mistake like this one, and wrongly closes a customer's account, the consequences of that mistake can be very different for different customers. At one end of the scale, if the account is not being used then the customer might suffer no loss at all – and indeed might not even notice the bank's error for months or even years. At the other end of the scale, the consequences for the bank's customer might have an immediate and

catastrophic impact. It would not be fair for me to award the same level of compensation in those two scenarios.

In the individual circumstances of this complaint, I'm satisfied that O's losses were relatively modest, as a result of the swift actions of O's trustees. O's trustees were able to arrange alternative banking arrangements, first through the personal account of one of O's trustees and then through an alternative provider. I agree Barclays should not have put O's trustees into the position they were in, but nevertheless the trustees' actions prevented the charity from suffering larger losses. I cannot make an award for losses that were not actually suffered, and in this case I have seen nothing to persuade me that O's losses were greater than the £653.20 that Barclays has already offered.

(If the trustees had taken no action at all, then it is still unlikely that I would have been able to make an award for O's financial losses. In that case, I would have had to consider whether O's representatives had taken reasonable steps to minimise the harm caused by Barclays' error – or, in other words, to mitigate O's losses. If the trustees had done nothing, it is unlikely that I would have concluded that it was fair for Barclays to pay the whole of the losses that resulted from this incident. I appreciate that is unlikely to be a comfort to the trustees, but I wanted to explain that the charity has not been penalised because they took the actions they did.)

I also have the power to make an award for the non-financial impact of Barclays' errors on the charity O. But I stress that I only have the power to make an award for the impact on O, a company limited by guarantee. I do not have the power to make an award for the impact of Barclays' errors on its trustees as individuals. I don't underestimate the impact on O's trustees, and indeed on its staff and volunteers, but I cannot take that into account when determining this complaint.

We publish information on our website about our approach to awards for non-financial loss, at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>. We say there that "An award of over £300 and up to around £750 might be fair where the impact of a mistake has caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months, but it could also be fair to award in this range if a mistake has a serious short-term impact".

Here, the complainant O is a corporate body, which means it is not capable of having emotions or suffering distress. But it can suffer inconvenience. I think it is fair to say that Barclays' mistakes did cause O significant inconvenience and disruption, a lot of effort was needed to sort out the problems the bank's mistakes caused, and that the impact lasted for several months. I also understand why O's trustees are concerned about the impact on O's reputation. But looking at what happened here, taking account of our guidance, and applying my own judgement, my view is that Barclays' offer of £500 for non-financial loss is fair.

### **My final decision**

My final decision is that I order Barclays Bank UK Plc to pay O £1,153.20 (that is, £653.20 for financial loss plus a further £500 for non-financial loss).

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 20 June 2025.

Laura Colman  
**Ombudsman**

