

The complaint

A company which I'll call 'H' complains that Barclays Bank Plc (trading as Barclaycard) behaved unreasonably when it suspended their account.

The complaint is brought on H's behalf by one of their directors, Mr S.

What happened

For ease of understanding I've set out a list of the parties involved in the complaint as follows:

- H – the complainant company
- Barclaycard – The merchant services provider responsible for processing transactions on H's behalf.
- T – the service provider of the actual card terminal.

Mr S told us:

- H had agreements with Barclaycard and T to provide merchant services so they could take card and online payments.
- In July 2023, both Barclaycard and T initially contacted them to request information from their directors to verify their identities. They complied with this request via email, as this was the only contact method they had, on four separate occasions over a period of several months. Their accountant also sent the information twice.
- In November 2023, they received a letter saying that if the information wasn't provided as requested, their account would be suspended. The information was emailed and posted to T again, and they received a response saying the information had been received and forwarded to Barclaycard.
- Throughout the period of contact, both Barclaycard and T sent different requests which had been complied with. H's accountants called Barclaycard in November and December 2023 to check everything had been received and were told they'd receive a call back, but this didn't happen.
- Despite the information being provided repeatedly, and letters and calls asking Barclaycard to clarify what was required, it suspended H's account between 3 January and 10 January 2024. This meant that H was unable to take card payments, causing the business to close during this period.
- Due to the type of business and location, H was unable to take payment via other methods and had to cancel its bookings over the festive period. H suffered a loss of income and reputational damage because of Barclaycard's unfair actions.

Barclaycard told us:

- It undertook a 'Know Your Customer' ('KYC') review of H's account and had requested information from H's directors due to a discrepancy with the information it held and what was held on Companies House.
- It had made numerous information requests in writing to H and T between July and September 2023. Some information was received from H's directors and accountant, but this didn't clarify the discrepancy.
- In September 2023, it had sent H a 'notice to close' ('NTC') letter giving them two month's warning that it intended to close their account as it hadn't received the information it required – in line with its terms and conditions. This had been suspended when H's directors had contacted it, however when the information still wasn't provided a further NTC was issued in December 2023.
- It suspended H's account between 3 January and 10 January 2024 as it hadn't received the required information. The information was received on 3 January 2024, but due to workloads in the KYC team, it took until 10 January for the KYC check to be completed, and the account reactivated.
- It was satisfied it had acted in line with its terms and conditions and hadn't made a mistake. It empathised with the losses H said they had incurred, but its terms and conditions said it wouldn't reimburse any loss of business. However, it had paid H £150 compensation for the inconvenience caused by the delay in updating the KYC information between 3 January and 10 January 2024 and paid a further £300 compensation for the delay in reviewing H's complaint.

Our investigator recommended the complaint be upheld. He said it was a commercial decision that Barclaycard was able to make to undertake KYC checks and take action if the information wasn't received. However, he didn't think that Barclaycard had fairly closed H's account as the company was engaging with Barclaycard and T to provide the requested information both in writing and by phone. The investigator noted that it was only the day before Barclaycard had closed H's account that it clearly explained the information that it required, and its correspondence only said the account could be closed if it didn't receive any contact from H. Overall, he thought that Barclaycard had behaved unreasonably when it closed H's account and therefore it should pay £300 compensation for the inconvenience caused to H, in addition to the £450 it had already paid. He also said it would be reasonable to consider any financial loss caused to H if it could provide evidence of this loss.

I issued a provisional decision on 6 June 2025. I said the following:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

H is a hospitality company that due to its remote location is generally booked in advance and predominantly takes payment via card. Therefore, I think it is foreseeable that having no ability to take card payments for several days during the festive period, will have impacted the amount of bookings, and therefore revenue, H received.

H says that Barclaycard has behaved unreasonably as it suspended their account despite them repeatedly providing information and trying to clarify what was missing.

Barclaycard has legal and regulatory obligations to ensure that it has sufficient knowledge of its customers and if it doesn't receive the information it needs, it is entitled to take actions with regards to those customers. From what I can see, it appears Barclaycard had concerns about the ownership structure and shareholding of H. This was because when the account was opened, H's directors said they were the shareholders equally, but when Barclaycard undertook its KYC exercise, it was apparent that was no longer the case and H was owned 100% by another company. I've seen that Barclaycard sent letters to H in July and August 2023 asking for clarification about this, followed by a Notice to Close ('NTC') letter in September 2023 as it hadn't received the information it required. And I think it was reasonable for Barclaycard to say that it would close H's account if the information wasn't provided.

However, the NTC letter says that Barclaycard was giving H a final opportunity to provide the information it needed, and if it didn't hear from H within a month that any card transactions would be withheld, the account would be suspended a month later and the account closed from a month after that. Given that H had repeatedly been in contact with Barclaycard and T during that time I don't think it was fair for Barclaycard to close H's account. I think that it was reasonable for H to believe that as it was engaging with Barclaycard its account wasn't at risk of being closed.

I've seen that H, and its accountants were engaging with Barclaycard and T and attempting to provide the information that was being requested. I've also reviewed the correspondence between the parties, and I think it's clear that there was a misunderstanding about what was required and what had already been provided. I've looked at the letters from Barclaycard and I think after the first two forms and accountants' letter and calls had been made, that it could have been clearer about the information it required in addition to what had already been provided. I've seen that it wasn't until 2 January 2024 that Barclaycard explained exactly what was needed from H. H then provided this the following day on 3 January 2024; however, Barclaycard closed H's account on the same day. I don't think this was reasonable. H has told us that it repeatedly contacted T and Barclaycard both to provide the information which had been requested and then to find out why it was unable to process card payments.

All of which caused it inconvenience. H also told us that it had been caused a financial loss because it was unable to take payment using any alternative methods due to its location, and that there was no warning before its account was closed. H also told us that because Barclaycard closed its account over the festive period, it had already purchased perishable goods for the existing bookings, which then had to be disposed of, meaning incurred costs as well as not receiving any income. It's not disputed by either party that H was caused inconvenience by Barclaycard, it has apologised and offered £450 compensation.

However, I don't think that's enough to put things right and I think Barclaycard should increase the compensation for inconvenience and reputational damage caused to H from the last-minute cancellation of its bookings, by a further £300 bringing the total to £750 to reflect the impact on what would have been an important time for the company during the festive period.

H told us that they incurred a financial loss of around £9,000 as they weren't able to take card payments and also incurred a loss of perishable goods that couldn't be sold. H has provided evidence of its losses, including bank statements, and Barclaycard statements for 2021, 2022, 2023 and January 2024. I find H's evidence persuasive, so I think it's fair that Barclaycard refund the losses that H was caused

as a result of it closing H's account without warning. I asked H why it was not able to mitigate its losses by accepting payment via other methods. However, H has provided persuasive evidence, such as its location, the closest ATM machine and the late notice regarding the inability to take card payments, as justification for why it was unable to accept alternatives or prevent the disposal of the perishable goods. And I think this is reasonable.

I've reviewed the card transaction statements for H, and I can see that for the three weeks in January 2024 it took card payments totalling £25,099.35. I've also reviewed the preceding years, and I'm satisfied that this is also broadly in line with that amount. Therefore, I think the fairest way to resolve H's complaint for the period that H was unable to take card payments would be to divide the £25,099.35 by the remaining three trading weeks to provide an average of the lost payments. This gives a figure of £8,366.45 and I think Barclaycard should compensate H for this loss. I've noted Barclaycard's terms and conditions, and in particular the term which says that Barclaycard should not be liable for any loss of profits or revenue H might suffer as a result of its actions. It's not my role to comment on Barclaycard's terms and conditions. It's a commercial business and, as I've mentioned above it's a commercial decision it's entitled to make on how it undertakes its business. But I still need to consider whether or not applying certain terms would be fair in the circumstances of this complaint.

Here, I'm not satisfied that Barclaycard should have closed H's account when it did, so it follows that I don't think it's fair or reasonable that H should have to suffer the losses it has incurred as a result of Barclaycard's actions. Barclaycard has committed to providing H with a service, and H was entitled to rely on this service. It's entirely foreseeable that when H was unable to take card payment from its customers, this would have an impact on its revenue. I also don't think Barclaycard has demonstrated that it's considered why this term should apply in the particular circumstances of this case or that it's taken them into account here. So, I don't think it's fair that Barclaycard can rely on a general term to avoid fairly compensating H for its loss in this case.

Putting things right

In line with my comments above, I think Barclaycard should:

- Pay £8,366.45 in compensation for the missing card payments.
- Add annual interest at 8% simple on this amount from 3 January 2024 to the date of settlement.
- Pay a further £300 for the inconvenience caused".

I invited H and Barclaycard to give me any more evidence and information they wanted me to consider before issuing my final decision. H accepted my decision and had nothing further to add. Barclaycard didn't agree with the provisional decision. It said in summary that:

- In previous years H hadn't undertaken any transactions for the dates it said it had lost business on during 2024. The compensation recommended appeared to be based on the whole of January, rather than just the period in question. It enclosed a report showing that there was no trade for H for the festive period.
- The evidence provided by H, such as the booking documents didn't support the

amount being claimed by the company. H only traded on certain days of the week, and historically the business hadn't opened on the dates that the terminal hadn't been functioning.

- H's merchant account had been closed on 3 January 2024, but there was no evidence that it had questioned why the terminal wasn't working until 7 January 2024. Therefore, there was no evidence to support it was needed between 3 January to 6 January.

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've reached the same conclusion as I did in my original decision, for the same reasons.

I acknowledge Barclaycard's comments about the consequential loss calculation. However, as I have explained in my provisional decision, I'm satisfied that Barclaycard caused H a financial loss as it closed the company's account preventing it from taking any card payments. I understand why Barclaycard says that H could have contacted it sooner about its account, and that there wasn't an impact because it didn't realise until 7 January. However, I've seen evidence that H was contacting T both on 3 January and from 7 January onwards to try and resolve the issue and was explaining the impact. It still took three days for Barclaycard to reinstate H's account after T had contacted it on 7 January.

Given the days that H is trading, even if H had contacted Barclaycard on 5 January 2024, which was the first day it was open after the account had been suspended, I'm not persuaded that this would have changed the period of loss. I say that because I think it would likely have still taken 3 days before Barclaycard could have reinstated the account – given that it told T that it would reinstate the account as quickly as possible once it was made aware of the issues on 7 January. This means that the account likely wouldn't have been reinstated until 8 January, which was a day that H didn't trade.

I also acknowledge Barclaycard's comments that H didn't contact anyone until 7 January. However, H told us that it didn't contact Barclaycard as it was the weekend, and it wouldn't have been open. I've also seen evidence from H that Barclaycard redirected the company to T to raise any issues as T is the relationship owner. So, I think it's reasonable that H waited until it could reasonably contact T, as that is what it had been told to do by Barclaycard.

H has demonstrated why the loss of the card terminal had such an impact on the business and I'm persuaded by the evidence it provided. In this case, H's location mean that its income is predominantly card payments, and therefore I think it's reasonable to base the calculation for H's loss on the transaction statements from Barclaycard. I recognise Barclaycard says that H hasn't historically had card payments on the specific dates where the financial loss occurred, and that there generally isn't any trade over the core festive period. However, I've reviewed all the evidence from Barclaycard, and it doesn't change my opinion. I say that because broadly speaking in the hospitality industry, the festive period can be anywhere from mid-November to Mid-January, rather than a few short weeks.

Furthermore, I am aware that H only trades certain days, and historically there wouldn't have been a loss evidenced in previous years as the dates of loss in question weren't on the days that H is generally trading. H has provided some evidence of its bookings and takeaways scheduled in advance from 5 to 7 January so I'm satisfied that there were transactions that were cancelled. I also find H's evidence about its location and local trade persuasive, so I

don't think it's unreasonable that not all losses could be evidenced from the written booking evidence provided by H. I also don't think it's fair to use the card payments for the years that H wasn't able to fully trade due to Covid-19 as this isn't a fair reflection, and 2021 is broadly in line with 2024. Therefore, I think it's reasonable to use the card payments that H was able to take for the other three weeks in January 2024 this in calculating H's loss.

My final decision

My final decision is that I uphold this complaint. I instruct Barclays Bank Plc to do the following:

- Pay £8,366.45 in compensation for the missing card payments.
- Add annual interest at 8% simple on this amount from 3 January 2024 to the date of settlement.
- Pay a further £300 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 22 July 2025.

Jenny Lomax
Ombudsman