

The complaint

P – a limited company – complains that Barclays Bank UK PLC didn't set up an interest-bearing account when P made a deposit to it, required as security for its borrowing.

Mr F, a director of P, brings this complaint on its behalf.

What happened

P took out a commercial mortgage with Barclays some years ago, which was secured by a legal mortgage (legal charge) over two properties.

It appears that later, in or around 2017, there were some legal issues with one of the security properties. Because of this, the commercial mortgage was refinanced and Barclays required additional security. It was agreed that this would be provided by P opening a new bank account in which funds of around £198,000 would be deposited.

P wanted to repay the commercial mortgage in 2025, so it got in touch with Barclays. At that point, Mr F says he found out that the funds held as security had not been accruing any interest. Mr F was unhappy about that so he raised a complaint with Barclays. Mr F feels Barclays should calculate lost interest at a rate of 8% simple annually, equating to lost interest of around £130,000.

Barclays didn't uphold P's complaint and concluded that it hadn't done anything wrong. Mr F didn't agree and referred the complaint to the Financial Ombudsman Service.

Following this, Barclays made an offer to settle P's complaint. In summary, it calculated the amount of interest P would have accrued on the security funds had the account been opened as an interest-bearing one. And it offered to pay the difference to P. When making this offer, it retracted its previous offer to waive the commercial mortgage pre-payment fee, and so it deducted that amount from the interest refund calculation.

Our Investigator considered Barclays' offer is a fair one in the individual circumstances. Mr F disagreed and said that Barclays should instead calculate the lost interest at a rate of 8% simple, which would equate to a significantly larger refund. Ultimately, as a resolution couldn't be reached, the complaint has been referred to me to decide.

As I understand it, in the meantime, P has withdrawn the security funds to facilitate full repayment of the commercial mortgage.

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.

Before I set out my decision on the merits of P's complaint, I confirm that I agree with the Investigator regarding the jurisdiction of the Financial Ombudsman Service. This complaint includes concerns about events that took place more than six years ago. However, I have not seen any persuasive evidence to show P – or Mr F on its behalf – ought reasonably to

have become aware of a cause for complaint before 2025. Because of this, I'm satisfied we can consider this complaint.

Having carefully considered what's happened, while I appreciate this will come as a disappointment to Mr F I have reached the same overall conclusion as the Investigator.

Mr F says that P has been deprived of use of funds by Barclays, by it not opening an interest-bearing account for P in 2017. He's also referred to previous decisions made by this Service where 8% simple annual interest has been awarded for "held" funds and where complainants have been deprived of the use of funds. He has also said that if Barclays had disclosed to him the non-interest-bearing nature of the account that he could have sought other investment opportunities, which would have brought higher returns.

Our Investigator has already explained to Mr F that it would not be fair and reasonable to require Barclays to calculate the lost interest at a rate of 8% simple per year. And I agree. The decisions Mr F has referred to are for materially different cases that, in my view, bear no resemblance to the issue at hand here. Even if they were about similar issues, I am required to decide each case based on its individual merits, which is what I have done here.

I am required – where I consider something has gone wrong – to reach a decision on what a firm should do to put the complainant back in the position they ought to be in, had something not gone wrong. Here, what went wrong is that Barclays ought to have given P the option of opening an interest-bearing business account in 2017 and Barclays has accepted that it cannot evidence it did that. Had things gone as they should have done, P would have accrued interest at the rates offered by Barclays on that type of account from 2017 to 2025. The settlement offer Barclays has made takes this into account and I consider that methodology fairly compensates P for the interest it lost because of what's happened.

It appears Barclays has calculated the refund up to August 2025, but the funds were withdrawn in around October 2025 and I haven't seen anything to suggest the account became interest bearing before then. Because of that, I think it's fair that Barclays should run the lost interest calculation up to the date the money was withdrawn by P, since it has essentially accepted – and I agree – that this should have been an interest-bearing account. So, Barclays should bring the lost interest calculation up to date – from the date the account was opened in 2017 to the date the funds were withdrawn in 2025 – and add 8% simple interest to the lost interest amount (not to the account balance), from the date the funds were withdrawn to the date of settlement.

I note Barclays has retracted its previous offer to waive the commercial mortgage pre-payment fee as part of its most recent settlement offer, deducting the amount it had initially waived from the lost interest refund. The pre-payment fee is payable on early redemption of the commercial mortgage and so, it is a cost that P reasonably needed to pay. It is not, therefore, something I would have required Barclays to refund in addition to the lost interest amount. That would put P in a better position than it would have been in, had things happened as they should have done. Because of that, I don't consider it's unfair that Barclays has withdrawn its offer to waive the pre-payment fee.

I'm afraid I do not agree with Mr F that it would be fair to compensate P on the basis that it could have invested the funds elsewhere, and made more profit from them. The funds were required to be held in a Barclays business account until the commercial mortgage was repaid. So P would not, had things gone as they should have done, have been able to invest those funds in other opportunities. P has not, in turn, been deprived of the use of those funds to make a profit elsewhere.

My final decision

My final decision is that Barclays Bank UK PLC should, if P accepts my decision, calculate and refund the interest P lost by not having an interest-bearing account from the date it was opened to the date the funds were withdrawn to repay the commercial mortgage. It should also calculate and pay 8% simple annual interest* on that refund from the date the security funds were withdrawn, to the date of settlement.

*Barclays may deduct income tax from the 8% interest element of my award, but it should tell P what it has deducted so P can reclaim the tax from HMRC if it's entitled to do so.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 16 January 2026.

Keith Barnes
Ombudsman