

The complaint

A limited company, which I'll refer to as 'E', is unhappy that Barclays Bank UK PLC closed its business account in error, causing disruption to its operations.

E's complaint is brought to this service by its director, whom I'll refer to as 'Ms M'.

What happened

On 1 November 2023, Barclays closed E's business account in error. The closure meant that E could not access its funds, and any direct debits on the account were cancelled. Ms M contacted Barclays on the same day to resolve the situation. Barclays reviewed what had happened and acknowledged the mistake, and the account was re-opened on 21 November 2023. E resumed using online banking on 22 November 2023. However, Ms M says that E continued to experience difficulties after that point, including problems reinstating access and setting up the account in the way it had operated previously.

Ms M raised a complaint with Barclays on E's behalf in late 2024. She said the mistaken closure had caused significant disruption to the business, including that E had been unable to pay creditors, had lost opportunities to take new membership payments, had experienced reputational harm, and had spent a considerable amount of time trying to resolve matters with Barclays. She also said the closure had caused operational problems with E's business credit card and led to missed or delayed payments.

Barclays issued their final response on 6 December 2024. They accepted they had closed the account in error and apologised. They offered £200 compensation to E in recognition of the inconvenience the company had incurred, but Barclays didn't agree to the much larger compensation figure Ms M said E was seeking. Ms M wasn't satisfied with Barclays response, so she referred E's complaint to this service.

One of our investigators looked at this complaint and liaised with Ms M and Barclays about it. During our investigator's review, Barclays carried out a further internal assessment and said they were willing to increase their offer of compensation to £350, and to offer compensatory interest on E's account balance at 8% for the period E had no access to its funds while the account was closed.

At a similar time, Ms M told our investigator that E had incurred late-payment penalties from HMRC for a VAT instalment that was normally paid by direct debit. She said the direct debit had been cancelled when the account was closed, and E had not realised this until receiving the penalty notice several months later. Ms M asked that Barclays reimburse those charges and any interest HMRC had applied.

Our investigator upheld this complaint in E's favour and said that, in addition to the £350 compensation and 8% compensatory interest Barclays had offered, that Barclays should also refund the VAT penalty charges to E, but not the additional interest charged by HMRC. Neither Ms M nor Barclays were satisfied with the view put forward by our investigator, so the matter was escalated to an ombudsman for a final decision.

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 issued a provisional decision on this complaint on 25 March 2026 as follows:

Barclays have accepted that they closed E's account in error, and I agree that this was a failing in their handling of the account. The closure meant that E couldn't access its funds for around 20 days, and it also caused avoidable inconvenience while Ms M worked with Barclays to get the account reinstated and operating properly again.

Barclays have already offered £350 to E in recognition of the inconvenience caused to the company, and they've also offered 8% simple interest on E's account balance for the period E was without access to its funds while the account was closed. Having looked at the circumstances of the complaint, I think that offer fairly reflects the impact of Barclays' error, and I don't think Barclays need to pay anything further for the inconvenience E experienced.

I've also thought carefully about the VAT penalties E incurred. I accept that the direct debit for that VAT instalment was cancelled because of Barclays closing the account. But I don't think it would be fair or reasonable to require Barclays to refund those penalty charges.

I take this position because E knew the account had been closed in error on 1 November 2023, before the VAT payment became due on 7 November. And E also knew that the account had been re-opened on 21 November, with online banking access restored on 22 November. In those circumstances, I think it would have been reasonable for E, as a limited company with regular VAT obligations, to check the status of its important payments and direct debits once the account was made available again. E could also have made the VAT payment by another method if necessary.

E didn't discover that the payment hadn't been made until several months later, when HMRC issued the penalty notice. Given E's awareness of the account closure and the timing of its VAT liability, and the responsibility of E to have monitored its important payments, I think the company could reasonably have avoided the penalties by checking the position sooner or making the payment manually. As such, while I accept that the direct debit was cancelled because of Barclays error, I feel that the missed payment penalty charges were incurred because E didn't subsequently take action that I would reasonably have expected it to take, and because of this I don't feel that it would be fair to require Barclays to refund them.

For these reasons, my provisional decision here is that I uphold this complaint on a limited basis, to formally instruct Barclays to honour their existing offer of £350 and 8% simple interest for the period the account was closed. But I won't be issuing any further provisional instructions to Barclays beyond this.

Both Ms M and Barclays responded to my provisional decision and confirmed that they were in acceptance of it. As such, I see no reason not to issue a final decision here whereby I uphold this complaint in E's favour on the basis described above. And I therefore confirm that my final decision is that I do uphold this complaint on that basis accordingly.

Putting things right

Barclays must pay £350 to E.

Barclays must also credit 8% interest to E's account for the period that the account was closed calculated against the balance of the account at that time.

My final decision

My final decision is that I uphold this complaint against Barclays Bank UK PLC on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 6 May 2026.

Paul Cooper
Ombudsman