DRN-4131023

The complaint

A company I'll call M complains that Barclays Bank UK PLC (Barclays) took too long to complete a Know Your Customer (KYC) review.

M is represented by its secretary, Mr G.

What happened

In 2021, Barclays started a KYC review of M's business. M had a funding arrangement in place with Barclays that it relied on to carry on its business and Barclays paused that arrangement while it carried out the review.

The KYC review continued until around March 2023, when Barclays confirmed it was satisfied and re-instated the funding arrangement. However, the extended period of time M went without access to the arrangement caused it significant operational difficulties.

Mr G told our service Barclays initially expected the review to take 6-8 weeks, only to later be told Barclays had prioritised the Coronavirus Business Interruption Loans scheme (CBILS). When the review commenced, Mr G says he responded to Barclays' enquiries promptly and that Barclays regularly told him the review wouldn't take much longer.

Barclays didn't uphold Mr G's complaint, so he brought it to our service. Our investigator awarded £200 to reflect inconvenience M experienced as a result of some delays on Barclays' part, but he didn't feel Barclays had made any other errors. He reviewed the documentation Barclays sent in support of its position and was satisfied the KYC review was sufficiently complicated that it reasonably lasted for almost 2 years. And that its decision to pause the funding arrangement was reasonable in the circumstances.

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.

Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that the full background is known to both parties so, while I've carefully read everything both parties have had to say, in my decision, I've focussed on what I think are the key issues here, which our rules allow me to do.

This approach simply reflects the informal nature of our service as a free alternative to the courts. And I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mr G and Barclays have said, before reaching my decision.

Banks in the UK are strictly regulated, and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of new and existing relationships. That sometimes means – as in this case – that a bank chooses to carry out a KYC review.

In principle, I have no concerns about Barclays' decision to carry out a KYC review of M's account. And instead, this decision will focus on whether Barclays treated M fairly.

With that being said, it is worth addressing the extent of the KYC review given how long it took. There is no set procedure for a KYC to follow and it is for the bank in question to determine what information is required for each individual customer in order for the bank to be satisfied that it has fulfilled its statutory obligations.

Barclays has shared extensive details of its review with our service which I can't disclose to M for confidentiality reasons linked to the nature of Barclays' obligations. However, the information supplied was driven by requests from our service for the purposes of enabling firstly the investigator and secondly myself to determine whether or not Barclays has acted fairly.

This was a complicated and unusual case involving numerous parties, various risk factors, and multiple departments within Barclays. I accept that Barclays requested information in piecemeal and I fully understand the frustration that would have caused Mr G, particularly given his prompt responses and the impact the funding pause had on M's business.

But I don't consider Barclays could have simply requested all of the information at once and the complexity of this case necessarily meant different departments within Barclays would have to consider different pieces of information. That in itself contributed to the extended time the review took, and I don't find that to be a fault of Barclays: it was simply the nature of this particular scenario.

Because of the confidential nature of KYC reviews and this one in particular, I can't disclose any further detail about the review, save to say that I'm satisfied it was completed in a reasonable timeframe, for the most part.

I understand Mr G was frustrated by Barclays' decision to prioritise other matters in early 2021, but I don't consider Barclays' decision to do so was unreasonable in all of the circumstances. The Government-backed loan schemes had huge uptake and took a significant toll on the bank's resources. And the re-prioritisation coincided with the end of the CBILS application deadline, which was a very busy time and I consider that was beyond Barclays' control.

I don't underestimate the impact this had on M, given its funding agreement with Barclays was central to the way it carried out its business. But I'm satisfied Barclays' decision to pause the same during the review was reasonable, given the nature of the review and despite the assurances/guarantees M offered.

I accept Mr G's expectations weren't always managed well in terms of timescales, but I have some sympathy with Barclays in that regard given the number of departments/staff involved. In circumstances like this, not all staff will understand the extent of the review, and the timescales quoted were in line with what I would expect to see in a less complicated case.

With that being said, I accept that would have caused Mr G distress and disappointment. But because M is Barclays' customer, not Mr G, I can't award compensation for personal distress experienced by M's directors. And of course, a limited company cannot feel distress. So, while I am with Mr G on this point, I can't make an award for compensation for the reasons I've set out.

With that being said, I can award compensation for inconvenience suffered by a limited company as a result of a banking error. And, while I am satisfied the timeframe of the review was mostly reasonable, I agree with our investigator that there were periods towards the end of the review that Barclays hasn't been able to reasonably justify in terms of delays.

Having looked at the timelines provided by both parties, given the stage the review had reached, I'm sorry to say that I'm not persuaded the delay had a significant impact on M.

The primary issue here was the initial decision to pause M's funding arrangement, and the length of the KYC review, which caused M serious inconvenience particularly at the start. And if I were awarding compensation for those issues, the figure would be a lot greater. However, because I'm not persuaded Barclays acted unfairly in relation to those key stages, the compensation I'm awarding is limited to inconvenience M suffered at a later stage. And having assessed that position, I'm satisfied £200 represents fair compensation.

I recognise this isn't the answer Mr G was hoping for, and that the compensation doesn't get close to covering the losses M has incurred over the last 2 years. But I hope Mr G can take some comfort in the extent of the review our service has undertaken, independent of Barclays. And I hope my explanation of the situation sets out why I am awarding significantly less than M sought.

My final decision

My final decision is that Barclays Bank UK PLC must pay M £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 14 February 2024.

Alex Brooke-Smith
Ombudsman