

The complaint

F, a limited company, complains that Barclays Bank UK Plc removed funds from their account without prior notice. They'd like the funds returned to them.

What happened

F holds an account with Barclays. In March 2021 Barclays restricted the account to carry out a review of payments totalling £45,000 paid into the account. These had been reported as fraudulent.

The directors of F showed Barclays the payment was a return of funds they had invested and were legitimate. But Barclays removed the funds from F's account and returned them to the original sender, saying these were the proceeds of crime. But they accepted F hadn't been complicit in any fraud.

The directors of F raised a complaint about the restriction and removal of the funds. Barclays responded to say they were satisfied that they had acted appropriately by restricting the account and removing the funds. But they said there had been some bank errors, such as not providing terms and conditions when requested and not helping provide call recordings. They offered F £225 in compensation for these errors.

Unhappy with this answer F referred their complaint to our service. It was looked at by several investigators, who issued findings on the complaint. The most recent findings from our service said:

- Barclays were entitled to restrict F's accounts while they carried out a review.
- The terms of F's account allowed them to remove the funds if they had been reported as fraudulent – in this case we were satisfied they had stuck to these terms. So even though it's not suggested F had defrauded anyone, it wasn't unreasonable for Barclays to remove these funds.
- The compensation offered for the service failings was fair.

This was accepted by Barclays, but F disagreed. They said the funds were legitimate and intended for them. They said they were aware of other individuals who'd been given their funds back after being removed. But the investigator didn't think this changed anything, and didn't think Barclays needed to return the £45,000 to F.

As no agreement could be reached the complaint has been passed to me to decide.

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 think it's important here to establish the complainant is F – the limited company. A limited company is a distinct legal entity to that of the directors. When considering this complaint, I

can only consider any losses to F, or impact directly on the business, rather than to the directors personally.

Account restriction and review

Having reviewed the evidence, I'm satisfied that Barclays were right to restrict F's account and ask further questions about the payments.

I can see that they received a report from the sending bank that F had received fraudulent funds. The allegation is that the entity that sent F the money wasn't entitled to the funds they sent. In the circumstances it's right that Barclays treat this report seriously. This is in line with the bank's legal and regulatory obligations to detect and prevent potentially fraudulent transactions – there is provision for it in the terms of the account. While I've no doubt this was inconvenient for F, I don't think the bank have done anything wrong in restricting the account.

The review was completed within eight days, which is a reasonable timeframe. So, I'm not persuaded F have been treated unfairly in terms of the restriction and review

Return of funds

On completion of the review Barclays took the decision to remove the £45,000 from the account.

Barclays have said their terms allowed them to remove the funds. I've noted that the bank has referred to two sets of terms throughout this complaint – the earlier terms say they may remove funds if they're paid in by "mistake", which I don't see applies here.

But the terms were later updated and replaced by terms that allowed them to remove funds if they were paid in fraudulently. Barclays have now confirmed it's the latter terms that were in place at the time F received the funds, although it would have been better if this had been clarified to F earlier. So, on that basis the terms of F's account allow the bank to remove the funds.

I'm also mindful that F, as a limited company, is free to contract with parties they wish to. And F would be expected to understand the terms of any agreement they've entered in to. F ought reasonably to be aware that payments could be subject to recall.

The authorised push payment fraud best practice guidelines for banks say that on report of a fraudulent payment the receiving bank should investigate to determine whether any fraudulent funds remain. The assumption is that identified funds should be sent back to the sending bank, subject to exceptions. An exception may be where there is a credible dispute from the recipient of the funds.

In this case F has submitted evidence showing that the funds were originally invested by the directors in another enterprise. The funds sent to F were then supposedly the return of the original investment. I don't see that F, or the directors, have been witting beneficiaries of fraudulent funds. But I also note that these funds were originally the directors in their personal capacity – all the paperwork is in their individual names, and I can't see that the original payments were made from F's accounts. When asked about this one of the directors referred to these as "personal money".

As mentioned above the complainant here is F, and I can only consider losses to the limited company, not to the directors personally. I understand the directors of F have said they put the funds in to F so they could invest it in the future. But this shows me there is no further

loss to F in these funds being returned by Barclays – essentially F is in the same position they were in before the fraudulent funds were paid in. I'm not satisfied that F itself would have a credible dispute to the return of these funds.

In that case, I see no reasonable reason to depart from the contractual mandate F had with Barclays. As they were reported as fraudulent it's not unreasonable Barclays took the decision to return the funds to the original sender. If the directors of F still wish to recover their funds, they may wish to speak to the sender directly. But I don't see that Barclays need to do anything further.

Customer service

Barclays have accepted they did not provide the best service to F through this dispute. I've reviewed the contact notes, and what F have told us about what happened. Barclays didn't provide the terms of the account when asked, although I note F would have been able to get these from Barclays' website. So, I'm not sure this will have any specific impact on the running of F's business.

Barclays also took longer than their stated timescales to respond to the complaint, which will have impacted F's ability to respond to the situation they were in.

Regarding the call recordings, in their final response Barclays refer to the directors of F needing to fill out the General Data Protection Regulation (GDPR) form on their website. But I also note that the provisions in GDPR, and in the Data Protection Act 2018, refer to personal data – which is an identified or identifiable individual, rather than a limited company such as F. Any failure to provide this information would be an inconvenience to the director's individually, rather than to F.

When considering the impact of Barclays' errors on F and the running of the business, the offer of £225 is more than reasonable. As such, I wouldn't look to increase it.

My final decision

My final decision is that Barclays Bank UK Plc must pay F the £225 compensation offered if they have not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 8 April 2024.

Thom Bennett
Ombudsman