

The complaint

A company, which I will refer to as D, complains that Barclays Bank UK Plc wrongly closed its bank account.

What happened

One of our investigators looked at this complaint. Briefly, he said:

- Barclays began a Know Your Customer (KYC) review of D's account in August 2022. The parties exchanged correspondence, but ultimately Barclays considered that it had not received the information it needed to keep D's account open. Barclays issued a Notice to Close (NTC) on 28 June 2023. The NTC explained that if D didn't provide its business information to Barclays within 60 days the account would close.
- D did provide further information, and Barclays received D's mandate change form on 20 July 2023. However, Barclays had still not received everything it needed – and so it sent further letters to D on 4 and 21 August 2023 (without making any further references to account closure).
- D's representative said he did provide documents to Barclays in September 2023, but the bank said it didn't receive them. Our investigator noted that the proof of postage D provided to our service suggested that something had been posted to a third party (not associated with Barclays in any way), and not to the bank.
- Barclays closed D's account on 10 October 2023. However, given that so much had happened since the NTC was issued on 28 June 2023, our investigator thought that Barclays should have contacted D again before closing the account. He recommended that Barclays pay D £150 to compensate it for the inconvenience caused by the sudden account closure.

Neither party accepted our investigator's conclusions. D's representative said that Barclays' errors caused D to lose several thousands of pounds in interest, and so a payment of £150 would be insufficient. Barclays said it had made no errors and so the complaint should not be upheld at all. The complaint was therefore referred to me to decide.

My provisional decision

I issued a provisional decision on this complaint in July 2024. I said:

"[M]y provisional conclusions are:

- Barclays was entitled to carry out a KYC review, and it was reasonable for the bank to send a NTC to D on 28 June 2023.
- However, given what happened after 28 June 2023 our investigator was right to say that Barclays should not have closed D's account on 10 October 2023.

- I don't have enough information to be able to make firm findings about compensation (and I would welcome any further comments Barclays or D may wish to provide on that point). But provisionally, I think it would be fair for Barclays to pay interest on the closing balance of D's account, at a rate of 8% per year simple, over the period that D did not have access to its money. In addition, Barclays should pay £150 to compensate D for the inconvenience that it suffered.

I give more details about my findings below.

Was it fair for Barclays to close D's account?

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 D's banking facilities. That means that in order to decide whether Barclays treated D fairly, I must consider how that review was carried out.

I can see that D's representatives did try to provide information to Barclays before 28 June 2023, but I accept that Barclays did not have all the information it needed at that point – despite having sent several correctly addressed reminders. I think Barclays was therefore entitled to send an NTC.

However, I agree with our investigator that Barclays should not have acted on that NTC in October 2023. D did provide business information to Barclays, and the bank received that information on 20 July 2023.

I accept that Barclays did not consider that the information it had received from D was sufficient. The bank wrote to D on 4 and 21 August 2023 to say that one of the signatures on the form it had received on 20 July 2023 did not match its records, and the other signature was missing. But neither of the letters Barclays sent in August 2023 gave any indication that failure to reply to the letters would result in the closure of D's account.

On the contrary, both of the August 2023 letters said "If you require more than 28 days completing the additional information required, please let us know on the number above, as cases with no response will be terminated and a new Mandate case will be required". I don't think the letters clearly explained what was meant by "terminated" – but I do think that they both strongly implied that if D didn't respond within 28 days, the mandate change process would be started again from the beginning. In the event, Barclays did not start the mandate process again; it simply closed D's account.

I acknowledge that D's representative said he did send the mandate forms to Barclays in September 2023, but I don't think the proof of postage he provided demonstrates that he sent anything to the bank. The address on the proof of postage is not Barclays' address – and in addition the package is noted as weighing 2095g, which is far more than the few sheets of paper that Barclays had asked D to return would have weighed.

On balance, I think it is very unlikely that Barclays received correctly completed and signed mandate forms in September 2023 (or at any other time). However, given that

Barclays' August 2023 letters had said that the consequence of failing to return those forms would be that a "new Mandate case" would be required, I don't think it was fair for Barclays to close D's account in October 2023 without giving a further warning.

Fair compensation

My aim here is to put D in the position it would have been in if the account had not been closed on 10 October 2023.

So far as financial loss is concerned, I consider that Barclays' error meant that D did not have access to its money from 10 October 2023 until the date the closing balance was paid into an account elsewhere. Unless either party provides evidence that causes me to change my mind, I think it would be fair for Barclays to pay interest at 8% simple on the closing balance over that period.

I acknowledge that D's representative has said that D has lost thousands of pounds of interest. But I think his concern about the lost interest primarily relates to Barclays' refusal to open a Treasury account for D whilst restrictions were in place on D's existing account. I think Barclays was wrong to close D's account on 10 October 2023, but I don't think the bank was wrong to prevent D from opening any new accounts until it had received the information it needed. That means I do not intend to award any compensation in respect of the account D did not open.

Moving on to non-financial loss, we publish some information about our approach to compensation on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . D is a limited company and so is not capable of suffering distress. I acknowledge that the individuals associated with D, such as its director, are likely to have been distressed by the closure of D's bank account, but I have no power to make an award to anyone other than the account holder D.

I think it is likely that D suffered some inconvenience as a result of the closure of its bank account, but I have seen very little evidence as to the impact of the closure. I am provisionally intending to award £150 for inconvenience, but I might increase or decrease that amount in the light of further evidence from the parties.

I want to stress that my proposed award is for the inconvenience caused by the closure only – it is not intended to cover the inconvenience D caused by the KYC review as a whole. Whilst I do not doubt that the KYC review was inconvenient, I don't think Barclays made an error in carrying it out. I can only award compensation where I consider that the bank did something wrong, and as I've said I don't have any concerns about Barclays' decision to carry out a KYC review."

D's representative asked me to note that it was him who contacted Barclays after July 2023, and not the other way round. He asked to open a Treasury account for D, and it was then that he discovered Barclays had not updated certain information. He was reassured that all mandates were being updated, everything had been corrected and that there were no further problems.

D's representative also provided some further evidence. He said the proof of postage he had given us before was the wrong one, and instead he provided a document dated 16 August 2023 showing that a letter weighing 25g had been posted to a Barclays address. In addition, he provided a letter from Barclays dated 31 August 2023 and addressed to one of his other businesses, which confirmed that the bank had removed all restrictions on that business' account. He said he had received the same letter for D at the same time, but he

had not retained a copy of that letter.

Barclays accepted my provisional decision. It also commented on the letter of 31 August 2023 that D's representative provided. It said it did send letters on 31 August 2023 to confirm that it had the information it needed for the representative's other companies, but it cannot trace having issued such a letter in respect of D.

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 have come to the same conclusions as I did in my provisional decision, for broadly the same reasons. I now confirm those provisional conclusions as final.

Given D's representative's further evidence, I do now think it is likely that he sent some documents to Barclays on 16 August 2023. But I cannot be certain what those documents were, and I think it is possible that they related to one of his other companies.

I am not satisfied that Barclays wrote to D on 31 August 2023 to confirm that it had removed all restrictions from D's account. I acknowledge that D's representative believes he did receive such a letter, but he has not been able to provide a copy. In the circumstances, I think it is more likely that – as Barclays says – the letters the bank sent on that date related to his other companies and not to D.

Overall, I am still not persuaded that Barclays received correctly completed and signed mandate forms for D in September 2023 or at any other time. However, since Barclays' August 2023 letters did not say that D's account would be closed if the mandate forms were not returned, I don't think it was right for Barclays to close D's account in October 2023 without giving a further warning.

Putting things right

My aim in awarding compensation is to put D in the position it would have been in if its account had not been closed in October 2023. For the reasons given in my provisional decision, I think fair compensation would be for Barclays to pay D £150 for inconvenience, and also pay D interest at 8% per year simple on the closing balance of its account from 10 October 2023 until the date that closing balance was paid into an account elsewhere.

I make no award for any loss of interest suffered because D could not open a new account with Barclays, because I don't think Barclays was wrong to apply restrictions preventing D from opening new accounts.

My final decision

My final decision is that I uphold this complaint. I order Barclays Bank UK Plc to pay compensation to D as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 10 September 2024.

Laura Colman
Ombudsman