

The complaint

S, a limited company, complains that Barclays Bank UK PLC closed its accounts without giving notice.

What happened

S had accounts with Barclays. In 2022, Barclays decided to close the accounts immediately. S says that, as a consequence, it has suffered significant financial losses and damage to its reputation amounting to around £2.1 million.

Our investigators looked at this. They concluded that Barclays should have given S more notice before it closed the accounts – and that this would have caused inconvenience to the business. But they weren't satisfied that S had shown that this led to those losses. In the most recent findings, the investigator said he thought S was already in financial difficulties at the point Barclays closed the accounts, and so couldn't conclude that Barclays's actions caused the losses S had mentioned. They recommended Barclays pay S £100 to reflect the impact its actions had on S.

S didn't agree with the investigators' conclusions. The complaint has been referred 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.

The terms and conditions that applied to business customers state that Barclays can close an account "by giving you at least two months' notice." In some circumstances, Barclays can end the agreement immediately or on less notice. This includes where "[y]ou commit (or attempt) fraud against us or someone else", or where "you use [...] your account illegally".

In this case, S was one of a number of companies linked by a shared director. S said it had lent money to one of these other companies. That other company had then received funds from a third party – which it then repaid to S. But the third party claimed it had been the victim of a fraud. I accept that Barclays would have had grounds to close the accounts immediately if S had knowingly received the proceeds of fraud into one of its accounts.

S's director, however, says that transaction was genuine. To support this the director has sent Barclays invoices relating to the payment, together with an email from the third party confirming the funds had been sent. S's director says that after making the claim, the third party blocked them on social media and refused to respond to attempts to contact them.

I've looked at what Barclays did. It doesn't appear Barclays contacted S or its director to ask about this payment before it decided to close S's accounts. It was only during the investigation of S's complaint that Barclays asked S's director for evidence in connection with the credit. By that point the accounts were already closed and Barclays concluded that the accounts would remain closed – though it was willing to remove adverse information it

had reported externally.

Thinking about this, I'm satisfied that Barclays was acting in line with the terms and conditions when it reviewed S's account. Given the fraud report, I cannot say this was unfair.

But given Barclays ultimately did question S's director about the payment – in the context of this complaint – I think Barclays could have done so before it decided to close S's accounts. There was always the possibility that the fraud report might be mistaken or incorrect. Based on the information S was able to provide, I'm satisfied Barclays could still close the accounts – but it should have given more notice to allow S to seek alternative banking arrangements. I've therefore gone on to think about what Barclays needs to do to put things right.

Putting things right

Where I decide or a business agrees that a complaint should be upheld, the compensation I'd award is intended to put the complainant as far as possible in the position they'd be in if the business hadn't done anything wrong.

As I've already said, I'm satisfied Barclays could review and then close these accounts. But it should have given notice. I've thought about the impact this had on S.

In doing so, I bear in mind that S is a separate legal entity from its shareholders and directors. I can only award S compensation for the impact Barclays's actions had on S. I cannot award compensation to S's directors for any distress, inconvenience, pain or suffering it caused them personally. And as I'm only looking at the impact on S, I won't be commenting on or awarding compensation in this decision for anything that happened to the other companies linked by shared directors.

We've asked S about the impact Barclays's actions had on it. S says that the closure of these accounts caused significant disruption to its business. In summary, S says it hasn't been able to pay suppliers or employees, has been pursued by its creditors through the courts, and all of this has caused serious damage to its reputation. It says it can no longer find manufacturers to produce its goods, had to delay the launch of a new product, and has lost retailers. It reckons loss of sales were £1.7 million, and that loss of retailers has cost it around £400,000.

I've thought about this.

I accept that the immediate closure of these accounts would have caused S some inconvenience. But to award the further losses S has mentioned – which in any event exceed the maximum I'm able to award under our rules – I need to be satisfied that they were caused by Barclays's actions.

I've found that Barclays was entitled to close S's account had it given the correct notice. S would still have needed to find alternative banking arrangements elsewhere – but they'd have had time to do so. That said, S has said that it has tried to open bank accounts elsewhere, but these applications were rejected. Based on the information I've seen, however, I'm satisfied Barclays had removed any adverse information it had loaded externally, and that this meant there was nothing placed against S, by Barclays, that would prevent it opening an account elsewhere.

With this in mind, I cannot conclude that Barclays's acts caused the losses S has outlined. Given S's inability to find a replacement bank account, it seems most likely S would have ended up in a very similar position regardless of what notice Barclays had given it.

Moreover, the other information I've seen suggests S was already in financial difficulties at the point Barclays closed the account. From February 2022 onwards, S's business current account was overdrawn, and a number of direct debits from its accounts were returned unpaid. These included payments to lenders and utility companies. This does rather undermine S's contention that it was the closure of its accounts that caused the difficulties that followed – and perhaps explains some of the difficulties S had opening new accounts elsewhere.

I appreciate this will be disappointing to S's director. I'm not persuaded I can fairly say that the losses he's mentioned were caused by Barclays's actions. In all the circumstances, I'm not persuaded to award more than the £100 already recommended by the investigator. And so that's what I'm going to award in this decision.

My final decision

I uphold the complaint. Barclays Bank UK PLC should pay S £100 to reflect the inconvenience it caused. I make no further award.

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

Rebecca Hardman
Ombudsman