

## **The complaint**

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

## **What happened**

Barclays told us:

- It carried out a Know Your Customer (KYC) review of M's account in 2022 and 2023. It has a regulatory responsibility to periodically review business records to ensure that all KYC information is correct and up to date. If a business customer fails to respond to its request for KYC information it will ultimately be forced to close that customer's account, because it is unable to continue to operate an account if it cannot meet its KYC obligations.
- As at 27 October 2023, M's account was "under repair for mandate alterations" (or, in other words, Barclays needed further information from M in order to ensure that it had accurate records as to the people entitled to give it instructions on M's behalf).
- It closed M's account on 28 October 2023, while the repairs were still outstanding. It accepts that it should not have done that, and the account should have remained opened while the issues with the mandate were being resolved.
- It acknowledges that M's representatives say that the bank's error resulted in a loss of earnings for M, but having reviewed M's bank statements it cannot see evidence of such a loss. It is prepared to review its position on that point if M provides further evidence to show that it lost earnings as a direct result of the bank's error.
- It does accept that its error in closing M's account caused inconvenience, and it offered compensation of £150 to apologise for that inconvenience.

M's representatives told us:

- M has been a customer of Barclays for over 50 years.
- M's company secretary got married – and therefore changed her name – approximately a year after being appointed as secretary. They visited a local Barclays branch to activate the name change, then she continued to operate the account using her married name for around twenty years without any problems arising.
- The first indication of a problem was a letter from Barclays in October 2022. Since that date M has received 51 items of correspondence from Barclays requesting additional information, which M has promptly supplied. Using Barclays' standard charges per letter (of £25) this would equate to some £1,275 even ignoring M's costs.

- M's account was closed for a period of 31 days. M's average turnover per month was around £2,500, which has clearly been lost.
- M was unable to pay staff during the period of the account closure, and was also unable to cover recurring payments. It later had to re-establish direct debits.
- Overall, they consider that a payment of £3,000 would represent fair compensation.

One of our investigators looked at this complaint, but he did not entirely agree with either party. Briefly, he said:

- He thought Barclays should pay interest, at a rate of 8% per year simple, on the closing balance of M's account whilst the funds it had held were unavailable to M. He was unable to evidence a financial loss in excess of that amount, so he thought interest at 8% simple represented fair compensation for M's financial loss.
- He didn't think £150 was enough to compensate M for the inconvenience caused by the account closure. He thought an amount of £400 would be more appropriate to account for the time and effort M would have needed to invest to keep business operations running while having its account closed unexpectedly, as well as any reputational damage caused while M's account was unavailable.
- He acknowledged that Barclays had sent many information requests to M since 2022, but he thought the bank was entitled to do that – and he didn't think it would be fair to make an award for M's costs in dealing with those requests.

Barclays accepted our investigator's conclusions, but M's representatives did not. They said that they agreed in principle that it was reasonable for Barclays to request information from them, but it was not reasonable for Barclays to repeatedly request the same information and then lose it. They did not keep detailed records of the time spent dealing with customers and suppliers in relation to this issue, because Barclays assured them of a speedy resolution. But our investigator's suggested offer of £400 would barely cover an hour at their standard charge out rate, and is therefore inadequate.

M's representatives said that they were prepared to reduce M's claim to £1,750, given that their own costs were continuing to accrue. Barclays was not prepared to pay £1,750, and M's representatives were not prepared to accept Barclays' revised offer. The matter was therefore referred to me to review.

### **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, whilst I am sorry to further disappoint M's representatives there is very little I can add to what our investigator has already said. I have reached the same overall conclusions he did, for broadly the same reasons. But I will give further explanation below.

Banks in the UK are strictly regulated, and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means, as in this case, that a bank will carry out a KYC review.

M's representatives accept in principle that Barclays has the right to carry out a KYC review, but they have implied that they believe Barclays' information requests were excessive.

I can see that Barclays wanted to be satisfied that both its records and those of Companies House were accurate, both in respect of M's officers and its shareholders. It does appear that there was some confusion as to exactly what Barclays required, such as whether initials and surname were acceptable on Companies House's records or whether it required full names. But taken as a whole, I consider that Barclays did act reasonably in carrying out its KYC review.

I accept that it would have been possible for the review to be carried out more quickly, and with fewer letters/calls, but banks like Barclays have a wide discretion as to how KYC reviews are carried out. I don't think it would be fair for me to make any award to M in respect of the KYC review itself.

However, as Barclays acknowledges, the bank should not have closed M's account on 28 October 2023. It is right that Barclays should pay M compensation for that mistake, and so I have considered how much that compensation should be.

### **Putting things right**

I have carefully considered the evidence M has provided, but I have not seen enough to persuade me that M's financial losses exceed the amount our investigator recommended (of an interest payment of 8% simple on the balance of the closed account for the period M did not have access to its money). The fact that M did not have an account for a month does not automatically mean that M lost the entirety of its turnover for that month.

Moving on to the issue of inconvenience, I stress that my award is for the inconvenience Barclays caused when it closed M's account in error. I do not make an award for the inconvenience M suffered in complying with the KYC review itself, because I think Barclays was entitled to carry out that review.

We publish information on our approach to awards for non-financial loss on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>. In my view, this is a case in which Barclays' mistaken closure of M's account caused significant inconvenience and disruption that needed a lot of extra effort to sort out, and had an impact lasting for many weeks. Taking our guidance into account, and applying my own judgement, I agree with our investigator that an award of £400 represents fair compensation for the inconvenience that M suffered.

I acknowledge that M's representatives will strongly disagree with me, and that they consider an amount of £400 to be small in relation to their charge out rate. But we do not usually consider a complainant's hourly rate in deciding awards for inconvenience. Instead, we look at the overall impact that the business' mistake had on the complainant.

Overall, I consider that the compensation recommended by our investigator represents fair compensation in this complaint.

### **My final decision**

My final decision is that I order Barclays Bank UK Plc to pay M:

- Interest on the closing balance of M's account, at a rate of 8% per year simple, calculated from the date the account was closed until the date M had access to those funds again; plus
- £400 in respect of inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 10 January 2025.

Laura Colman  
**Ombudsman**