

The complaint

X, a limited company, complains that Barclays Bank UK Plc unreasonably blocked their accounts without explanation.

What happened

The background to this complaint is well known to both parties, so I will only provide a brief summary here.

On 8 August 2023 the directors of X found that they couldn't make payments from their account, and other accounts they were associated. When they contacted Barclays, they were not given any further information about why their accounts were under review. The blocks were subsequently removed on 16 August 2023.

X complained to Barclays. But the bank didn't respond regarding the block on X's account. Dissatisfied with the directors of X referred their complaint to our service – saying the block had meant they'd lost customer orders, and this had had a profound impact on the director's health. One of our investigators thought that while Barclays could block an account while they carried out a review, that Barclays had provided poor service. They suggested that Barclays pay X £125 in compensation.

The directors of X did not think £125 reflected the impact on X as a business. 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.

For clarity, in this decision I'm only considering Barclays actions in relation to X, rather than other accounts the directors may be linked to. And as X is a limited company, it is a legally distinct entity to the directors personally. As such I can only consider the impact of Barclays' actions on the company itself, rather than any frustration or inconvenience the directors have personally suffered.

Like all regulated financial businesses in the UK Barclays have strict legal and regulatory obligations to meet when providing accounts to their customers. Broadly these obligations can be described as a duty to monitor and investigate accounts for signs of financial distress and financial crime – such as fraud or money laundering. Failure to meet these obligations can have a significant effect on the bank, so it's right that they take these obligations seriously.

These obligations mean Barclays may need to take a closer look at accounts or transactions – to better understand how an account is being used. And they can make the decision to block any further transactions while they carry out a review – there is provision for this in the terms of X's account.

Barclays aren't under any specific obligation to explain to X why the account was blocked – although I note at the same time Barclays conducted a review of another account connected to the directors of X. The directors have said they feel this wasn't warranted. But I'm persuaded it was fair for Barclays to review X's account at the same time – this would be in line with common industry practice, and if the bank has concerns about one account it is reasonable to also look at accounts that can be connected through shared ownership. So, it follows that it was reasonable for X's account to be blocked while the review was conducted.

But blocking an account can have a large detrimental effect on the account holder. Any review should be completed promptly, to reduce the amount of disruption. Here the review was completed within Barclays' stated timescale and the blocks removed.

I've no doubt this was disruptive to X's business, I can't reasonably compensate them for disruption that flows from Barclays reasonable actions – such as claimed loss of business.

But the service Barclays provided wasn't up to standard – including the complaint not being logged correctly and not responded to, and the directors of X being given contradictory information when they contacted the bank. While I don't see that this impacted the review, or outcome of the review, I've no doubt this will have been frustrating for the directors personally. I can only consider the impact on X, but I recognise having to resolve the issues with Barclays will have taken the directors away from their running of the company.

In the circumstances I'm satisfied that compensation would be appropriate. And I see that £125 would be a reasonable amount to reflect the impact caused to X.

My final decision

My final decision is that to resolve this complaint Barclays Bank UK Plc should pay X £125 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 18 December 2024.

Thom Bennett
Ombudsman