

The complaint

E, 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 summarise it only briefly here.

On 8 August 2023 the directors of E found that they couldn't make payments from the account. When they contacted Barclays, they were not given any further information about why their accounts were under review. The bank later asked E to provide further information about a credit made into their account. The blocks were subsequently removed on 16 August 2023.

E complained to Barclays. The bank responded to say that they appreciated the blocks will have made life more difficult, but these were done in line with their internal processes to meet their legal and regulatory obligations. But they apologised for providing conflicting information, and for the service provided to E during this time. They offered E £250 in compensation.

Dissatisfied with this E 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 felt the offer of £250 was fair and didn't recommend Barclays do anything further. The directors of E disagreed, saying £250 was desultory. 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 E, rather than other accounts the directors may be linked to. And as E 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 seriously.

These obligations mean Barclays may need to take a closer look at particular 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 E's account.

Barclays aren't under any specific obligation to explain to E why the account was blocked – although I note at the same time they asked questions about a transaction into the account, so it wouldn't be unreasonable to assume the issues are related. If there are reasonable concerns about a transaction, then the blocking the account while they investigate isn't unreasonable. Here, I'm satisfied that Barclays' concerns about the payment into E's account were reasonable. So, it follows it's not unreasonable for them to have blocked the account while they reviewed the activity.

Blocking an account can have a detrimental effect on the account holder. Any review should be completed promptly, to reduce this disruption. Here I'm satisfied that Barclays asked for relevant information quickly, and the directors of E responded promptly. The review was completed within Barclays' stated timescale and the blocks removed. I can't see there were any unreasonable or unnecessary delays.

I'm satisfied that it was reasonable for Barclays to have blocked the account while it was under review. While I've no doubt this was disruptive to E's business, I can't reasonably compensate them for disruption that flows from Barclays reasonable actions.

But Barclays have accepted that the service they provided wasn't up to standard – including the complaint being logged incorrectly and responded to late. I've no doubt this will have been frustrating for the directors personally. I can only consider the impact on E, but I recognise having to resolve the issues with Barclays will have taken the directors away from their running of the company. So, I see that a degree of compensation would be appropriate. But I consider that the £250 Barclays have already offered is more than reasonable. On that basis, I wouldn't look to increase it further.

My final decision

My final decision is that to resolve this complaint Barclays Bank UK Plc should pay E £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 17 December 2024.

Thom Bennett
Ombudsman