

The complaint

The trustees of a trust, which I will call T (or simply the trust), complain that Barclays Bank UK Plc wrongly closed the trust's bank account.

What happened

The trustees told us:

- The trust's Barclays bank account was opened in the early 1980s, and operated for many years.
- In 2023 Barclays asked the trustees to provide documentation for a Know Your Customer (KYC) review. During that review, it transpired that Barclays had classified T as a limited company rather than a pension trust. Barclays said that the account's status could not be changed, and that the trustees would need to open a new account.
- They were willing to open a new account, but they did not want the existing account to be closed until the new one was ready.
- Barclays told them that opening a new account would take a long time, and the relevant team was very busy. The bank repeatedly promised that it would not close the existing account, then suddenly did so without warning.
- The account closure caused inconvenience, because the trustees had to make alternative banking arrangements in order to make sure life assurance policies kept going.
- To resolve the complaint, the trustees would like an apology and £2,500 compensation to cover the time spent in dealing with this matter.

Barclays told us:

- It began its KYC review of the account at the centre of this dispute in August 2022, but it did not realise until March 2023 that the account was held by a pension trust rather than a limited company.
- It cannot simply change the details for the existing account, and it told the trustees that the existing account would have to be closed and a new one set up.
- Between April and September 2023, it agreed on various occasions to put a pause on the closure of the account. The last call with one of the trustees was on 14 September 2023, and during that call its agent agreed to put a hold on the account to prevent account closure. However, there were no further updates and so the same agent moved the case back into scope for closure seven days later.

- The account closed on 31 October 2023, with the balance sent to the trustees by cheque. The trustees have not told the bank that there were any problems with the cheque, so the bank assumes it was received.
- It accepts that from September 2023 onwards it could have done more to support the trustees and prevent the account from closing. It asked us to pass on its sincere apologies to the trustees for any inconvenience caused.

One of our investigators looked at this complaint, but she did not uphold it. She said that Barclays had given the trustees sufficient notice of its intention to close the account, and that the bank's apology was enough for the customer service issues.

Barclays accepted our investigator's conclusions, but the trustees did not. The matter was therefore referred to me to review.

My provisional decision

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

"[M]y provisional findings are:

- Barclays was entitled to decide that it no longer wished to keep the trust's account open.
- However, Barclays did not act fairly when it closed the account – and in particular, it did not give the trustees sufficient notice of the closure.
- Barclays should pay the trustees £400 to apologise for its error. It should also pay interest, at a rate of 8% per year simple, on the balance of the closed account. Interest should run from the date the account was closed to the date the trust's funds were paid into an alternative account.

I give more details about my findings below.

I have no concerns about Barclays' decision to close the trust's account. The bank says that the account was set up for a limited company, and it cannot simply change its records to show that the account actually belonged to a trust. I accept the bank's evidence on that point. I also accept that Barclays could only resolve the problem by closing the trust's existing account and opening a new one.

I think it is likely the bank made an error of some sort before the KYC process started. When the account was opened in the 1980s, it is possible that the bank did not even attempt to classify the account as belonging to a limited company, a trust, a consumer, or any other category of customer. Evidently the bank did make that classification at some point, probably after the 1980s, and somehow came to the conclusion that the account belonged to a limited company. I suspect that classification may have been done automatically, on the grounds that I think a human would have realised the account belonged to a pension scheme. But Barclays says the classification was done many years ago and it no longer has any records to show how or why the account was classified in the way that it was. Again, I accept the bank's evidence on that point. I think it is unlikely that any investigation I were to carry out would be able to establish exactly what happened. Even if I could, that wouldn't change the fact that Barclays was not prepared to allow the account at the

centre of this dispute to remain open when it belonged to a trust rather than a limited company. That is a commercial decision that Barclays is entitled to make.

However, I note that the trustees are not complaining solely that their account was closed – and indeed they appear to accept that their existing account was going to have to be closed. Their complaint is that the account was closed without sufficient notice, and without the bank first providing them with an alternative account.

The trustees say that they called Barclays several times during 2023, and repeatedly had the same conversation in which different members of Barclays' staff promised that the account would be kept open, and/or that a hold would be placed on the closure. The call notes Barclays has provided are consistent with the trustees' evidence. The pattern appears to have been that a trustee would express frustration with the bank's process, the bank's agent would apologise, and then the agent would take some action (generally ineffective) with the aim of speeding up the opening of a new account. I can't see that the bank's agents ever told the trustees that the account closure would be suspended indefinitely, but they certainly said several times that a hold had been placed on the closure.

Barclays says it wrote to the trustees in August 2023 giving them 60 days' notice of its intention to close their account. I have seen a copy of that letter, and I am satisfied that it was sent. However, I can also see that one of the trustees called Barclays shortly after the letter was posted, and Barclays agreed that it would put the closure on hold. I therefore consider that Barclays had withdrawn its notice to close – and I don't think it was fair for Barclays to close the account without first giving the trustees an additional sixty days of notice.

The impact of Barclays' error was that the trustee's account was closed with effectively no notice. They have told us that they had to spend time making alternative banking arrangements to ensure that life assurance policies remained in force, and I consider that they should receive compensation for the associated inconvenience.

The trustees have asked for a compensation payment of £2,500, but I don't think that would be fair. We publish information on our approach to inconvenience on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . I consider that the impact of Barclays' mistakes, both in failing to open a new account quickly and in closing the existing account without sufficient notice, resulted in significant inconvenience that needed a lot of extra effort to sort out, and that the problem continued over several months. Taking into account our published guidance, and applying my own judgement, I consider that a compensation payment of £400 would be fair.

In addition, I consider that Barclays should compensate the trustees for the period that they didn't have access to their money. Unless either party provides me with evidence as to the actual financial loss suffered, I think a fair estimate would be for Barclays to pay interest on the closing balance of the account at a rate of 8% per year simple, from the date the account was closed to the date the bank's cheque was paid into an alternative account.

Barclays has also said that it is willing to help the trustees to open a new Barclays account. I understand the trustees are aware of that offer, and I assume they have chosen not to accept it. But if they do wish to open a new Barclays account, I ask them to let me know when they respond to this provisional decision.”

Barclays accepted my provisional findings.

The trustees said that they were grateful that I had upheld some of their complaints and provisionally ordered Barclays to pay compensation, but that they thought their requested figure of £2,500 was more than justified. They consider that the amount of £400 comes nowhere close to the time spent or the frustration caused, and they explained their frustration that Barclays seems unable to simply flag an account “do not close”. They also asked why Barclays was allowed to debank customers just because it wished to. Finally, they confirmed that they have made banking arrangements elsewhere and have no wish to deal with Barclays again.

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 the same reasons. I now confirm those conclusions as final.

I acknowledge that the trustees do not consider £400 to be a fair reflection of the inconvenience Barclays caused. I am sorry to further disappoint them, but in the circumstances of this complaint I remain satisfied that an amount of £400 is fair. That award is intended to compensate the trustees for the inconvenience caused by Barclays' errors, and not for the inconvenience of having to complete the KYC process. Barclays is entitled to carry out a KYC review, and I have no concerns about the fact that it did so. In addition we do not usually award compensation at the hourly rate an individual would charge if they were to carry out work for a third party, and I see no reason to do so here.

There have clearly been some changes in the way Barclays handles accounts since the account at the centre of this dispute was opened in the 1980s. The trustees have speculated that when the account opened Barclays may not even have attempted to classify it as belonging to a trust or to a limited company, and I suspect they are right about that. However, Barclays later decided that it was not prepared to allow this particular account to remain open if it belonged to a trust rather than a limited company, and that it wanted to close the account. Barclays is entitled to make that decision.

Barclays is also entitled to choose to close a customer's account, just as its customers are entitled to choose to close their Barclays accounts and move to a different bank. But Barclays must still act fairly when it closes accounts. In this case I am satisfied that the bank did not give the trustees appropriate notice, and therefore it should not have closed this account when it did.

I think it is possible that Barclays would have chosen to close the account earlier if its KYC review had been carried out earlier. Many of the documents associated with this account make reference to trustees (or to “TTS”, which is commonly used as an abbreviation for trustees), and so I think it was obvious that a trust was likely to be involved somewhere. But I don't think the trustees were in any way disadvantaged by the fact Barclays did not carry out the review earlier.

In light of the evidence Barclays has provided, I am satisfied that the bank can flag an account “do not close” – and indeed it did so flag the trustees' account. The problem was that the flag was manually removed (apparently by the agent who spoke with the trustees on 14 September 2023). I don't know why the flag was removed, but I haven't made any enquiries with Barclays on that point because I don't think the exact reason matters.

Regardless of why the agent decided to remove the flag, they should not have done so – and the trustees' account should not have been closed when it was.

Putting things right

Barclays should pay the trustees:

- £400 to compensate them for the inconvenience the bank caused by closing their account without giving sufficient notice; plus
- Interest at 8% simple on the closing balance of the account, calculated from the date the account was closed until the date Barclays' cheque was paid into an alternative account.

My final decision

My final decision is that I uphold this complaint and order Barclays to pay compensation to the trustees as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask the trustees to accept or reject my decision before 25 October 2024.

Laura Colman
Ombudsman