

The complaint

Mr L, a sole trader, complains that Barclays Bank UK Plc wrongly closed his business accounts and then unreasonably delayed sending the money held in those accounts to him.

What happened

Mr L told us:

- Barclays closed his business accounts without giving him any notice.
- The bank sent him a cheque for the balance of those accounts. When he went to one of Barclays' branches to ask why his accounts had been closed, the staff were bewildered. After investigating the matter on their computer, they said the closure was totally inappropriate and that the computer showed he had a strong basis for complaint. The bank's staff attempted to open new accounts for him, but that turned out not to be possible.
- He visited his local Barclays branch twice more with the cheque the bank had given him. The staff said he could present the cheque wherever he wanted, and it would be honoured – there was no expiry date on it. But when he tried to pay the cheque in to an account he opened with another provider, he was told that Barclays had refused to honour the cheque because it was out of date.
- He then raised a complaint, and spoke to several people at Barclays who promised to help him get his money transferred to his new account. But he still couldn't get access to his own funds – which represent most of his life savings.
- The matter has caused him a great deal of stress and anxiety through no fault of his own. He has lost around a year's worth of interest, and was also unable to invest his money elsewhere.

Barclays told us:

- It closed Mr L's accounts on 12 May 2022 following a Know Your Customer (KYC) review. It sent several letters asking Mr L for information, but he did not reply. It therefore closed his accounts in accordance with its process, and sent him a cheque for the closing balances of the accounts on 18 May 2022. It does not believe it made any errors in the closure.
- However, it considers that the staff at the Barclays branch Mr L visited made two errors. Firstly, they told him that a cheque that was more than six months old would still be valid, and secondly, they told him that his accounts had been closed inappropriately when that was not true.
- To recognise the distress and inconvenience its errors caused, it initially offered to pay him £150, and later increased that offer to £250.

One of our investigators looked at this complaint, and upheld it in part. He didn't think Barclays had made any mistakes in closing Mr L's accounts, but he did think Barclays should have done more to help Mr L transfer his money to his new provider. He noted that Mr L's money was eventually transferred to the new provider on 20 March 2024, but he thought that if Barclays had done everything it should have done that transfer would have taken place much earlier – and probably on 13 June 2023.

Our investigator therefore recommended that Barclays pay Mr L interest on the balance of the accounts at a rate of 3% (the rate the new provider would have paid had the money been transferred on 13 June 2023). He also recommended that Barclays pay £400 to apologise for the distress and inconvenience it had caused.

Barclays accepted our investigator's recommendations, but Mr L did not. He said that the KYC letters our investigator referred to were irrelevant, because all of the Barclays staff who have viewed his closed accounts on a computer screen have told him that the methodology was totally inappropriate and there was no KYC infringement. The computer screen account view should be available to the Financial Ombudsman Service, and it would show the total incorrectness of Barclays' actions as confirmed by the bank clerks. In any event, Barclays should have allowed him to reinvest the money – and it has not given any explanation as to why the funds were blocked for a period of over six months.

Our investigator was unable to reach agreement between Mr L and Barclays, so he referred the complaint to me.

At my request, our investigator then asked Barclays to tell us more about the information that would have been available to branch staff when Mr L visited. Barclays said:

“Branch staff have access to the customer correspondence file. This shows all letters sent to the customer unless confidential (such as fraud issues etc). The branch staff would have thought that any NTC's [notices to close] would have been visible in that folder, however I believe they would have been unaware that the KYC letters had been resourced out at that time – and therefore been unavailable for the branch to view.”

Barclays also provided template copies of its KYC and NTC letters, which it said it had sent to Mr L in April 2021 and on 29 October 2021 respectively. It also said that its audit evidence shows that those letters were sent to the same address that Mr L provided to the Financial Ombudsman Service.

My provisional decision

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

“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 overall conclusions as our investigator – but for slightly different reasons. I explain further below.

The closure of Mr L's account

Banks in the UK are strictly regulated, and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing

monitoring of new and existing relationships. That sometimes means – as in this case – that a bank chooses to carry out a KYC review.

In principle, I have no concerns about Barclays' decision to carry out a KYC review of Mr L's accounts. That means that in order to decide whether Barclays treated Mr L fairly, I need to consider how that review was carried out.

In light of the new evidence Barclays has provided, I am satisfied that it did send Mr L an initial letter asking him for information to help it complete the KYC process, followed by a reminder in April 2021 and a Notice to Close on 29 October 2021.

I acknowledge that Mr L does not recall receiving those letters, and that he believes that his accounts were closed without notice. But on balance I consider that it is more likely than not that the letters were sent. Mr L did not respond to those letters, so the bank was entitled to close Mr L's accounts.

It is entirely understandable that Mr L thought there had been a bank error. I have not received evidence from the bank staff involved, but Barclays has not disputed Mr L's account that the staff in his local branch told him that his accounts had been closed by mistake. However, I also accept the bank's explanation for that misinformation – it says that the branch staff would generally expect to be able to see all correspondence issued to a customer under the "correspondence" file, but the KYC letters were not included on that file. I am also aware that Barclays uses a third party to assist with its KYC process (and to send out relevant letters). That is common practice and something the bank is entitled to do, but it does sometimes mean that the bank's own staff cannot see all the relevant information about a KYC review. I therefore think it likely that the bank's mistake here was one of communication – it wrongly told Mr L that the accounts had been closed in error, whereas in fact the accounts had been closed in accordance with the bank's process.

Delay in receiving funds to new account

I don't think Barclays is responsible for the whole of the delay in Mr L's funds reaching his new account. It appears that he did receive the cheque Barclays sent to him in May 2022, but he didn't attempt to pay it into another account for around a year. I don't think it would be fair for me to order Barclays to compensate Mr L for his loss of interest during that period.

However, Barclays accepts that its branch staff gave Mr L the wrong information when he asked about the cheque, in that they told him it would be valid indefinitely when that was not true. If they had given him the correct information, I think it is likely that he would have asked Barclays to re-issue the cheque – and then all the difficulties associated with tracing the funds after Mr L's new provider returned them to Barclays would have been avoided.

Our investigator thought that if Barclays had made no errors, Mr L's money would have been transferred to his new provider on 13 June 2023. Barclays has accepted that it should pay compensation for Mr L's loss of interest from 13 June 2023 to 20 March 2024 at a rate of 3% (the rate paid by the new provider). I agree that that would be fair.

I also think Barclays should make a payment for the distress and inconvenience caused by the problems Mr L had paying in the cheque (though not for the distress caused by the closure of the accounts – as I've said, I don't think Barclays made any mistakes in closing the accounts). We publish information on our website about our

approach to awards for distress and inconvenience, available at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . Taking that guidance into account, and applying my own judgement, I agree that a payment of £400 would be appropriate in this case.”

Barclays accepted my provisional findings, but Mr L did not. Briefly, he said:

- He did not receive the correspondence that Barclays claims was sent to his address before the accounts at the centre of this dispute were closed. He did receive a telephone call from the bank in relation to a different account, and the query in relation to that account was resolved.
- He finds it difficult to believe that all of the branch staff who told him that he had cause for complaint were mistaken.
- He believes Barclays is attempting to close accounts which are not profitable for the bank.
- Barclays consistently claimed that his money was with another organisation when that was not true, and it has not provided any explanation for that misinformation.
- Overall the bank’s conduct has been despicable and unfair. The stress and inconvenience associated with standing orders and so on – and with having £85,000 missing for around two years – has not been fairly taken into account.

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 reached the same conclusions as I did in my provisional decision, for the same reasons. I now confirm my provisional conclusions as final.

I am sorry to further disappoint Mr L, but having considered the evidence available to me I think it is more likely than not that the bank did send the letters it says it sent. The bank did not receive a response, and so it was entitled to close Mr L’s accounts.

However, Barclays did not give Mr L the correct information when he asked whether he could still present the bank’s cheque. For the reasons I gave in my provisional decision, I think Barclays should compensate Mr L for the consequences of that misinformation. It is clear that there were difficulties in tracing Mr L’s funds after his new provider returned them to Barclays, but I think that all of those difficulties would have been avoided if Barclays had given Mr L the correct information in the first place.

I know Mr L is sceptical that all of the branch staff he spoke with could have been wrong about whether correspondence had been sent to him, but I accept Barclays’ evidence on that point. The correspondence was not available for the branch staff to view, so they did not know that it had been sent.

Putting things right

Barclays must pay compensation for Mr L’s loss of interest from 13 June 2023 to 20 March 2024 at a rate of 3% (the rate paid by the new provider).

It must also pay Mr L £400 to compensate him for the distress and inconvenience caused by the problems Mr L had paying in the cheque (including the distress caused by the difficulties in tracing his funds). I have carefully considered Mr L’s further comments on that point, but I

remain satisfied that a payment of £400 for distress and inconvenience is fair in all the circumstances. I stress that I am not persuaded that Barclays is responsible for the whole of the delay in Mr L's funds being transferred to his new provider.

My final decision

My final decision is that I uphold this complaint. I order Barclays Bank UK Plc to pay compensation to Mr L as set out above.

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

Laura Colman
Ombudsman