

The complaint

A partnership, which I'll refer to as R, complains that Barclays Bank UK PLC (Barclays) wrongly closed its business account (the Account).

Two of the partners, who I'll refer to as Mr and Mrs P are bringing this complaint on behalf of R

What happened

The background to the complaint is set out in my provisional decision dated 28 November 2024 which forms part of this decision.

I provisionally concluded that, R's complaint should be upheld.

I said - in summary:

Since they are strictly regulated, banks in the UK are required to carry out certain actions in order to meet their legal and regulatory obligation. That involves conducting ongoing checks and monitoring of new as well as existing relationships to make sure they have up to date and complete records in respect of their customers.

Barclays chose to do so by way of their KYC review. And I don't think Barclays did anything wrong in their selection of R for such a review.

Barclays' position is that in the course of amending the mandate on the Account, as R requested, they realised they did not have complete records for one of R's partners, Mrs H.

The bank's internal records show that it was concerned that as one of the partners, whereas Mrs H had authorised the change to the mandate so that Mr and Mrs P became the only signatories, nonetheless, it did not have full and up to date details for her.

I appreciate R's submission is that in 2016, when R began operating in partnership, all the partners, including Mrs H did visit a branch to provide identification. The bank hasn't disputed this.

I cannot speculate as to what became of the records for Mrs H that was provided at that time. That being said, I don't think seven years later, when in 2023 the bank discovered its records for Mrs H were incomplete, it was unreasonable for it to take the necessary steps to put that right. Not least given its legal and regulatory obligations to make sure it knows its customers. So, to put that right, Barclays reached out to R. That wasn't an unreasonable thing for Barclays to have done.

I acknowledge that in response R did send a copy of Mrs H's passport to Barclays. But the bank did not think that was enough. And it is clear that a copy of the passport alone did not satisfy the bank's requirements. Barclays required Mrs H's verification to be done in person at one of their branches along with documents set out in their 14 August letter.

It is not for me as ombudsman to prescribe the way in which a financial business should verify the identity of their customers and the documents it should require the customer to produce. That being said in the circumstances here, I can't fairly conclude the request to verify Mrs H's identity in the way the bank required was unreasonable.

Barclays made a number of requests to R to provide the information, and in a manner that was clearly explained. R did not do so. In light of R's apparent reluctance, I can understand the bank's decision to close the Account.

That being said, I agree with the investigator that Barclays should have given notice to R before closing the Account. I've seen no evidence that they did. Indeed, their internal records acknowledge the bank was unable to find a notice to close letter being sent to R's correspondence address. I find that this absence amounted to poor service by Barclays, although I note in relatively quick time, on 2 November they did take the decision to re-open the Account and confirmed their decision to Mr P. In all likelihood however, I think, faced with a notice of closure, generally 60 days, R might well have provided the information Barclays requested.

In response to our request for further details, Mr P has told us about the impact on R of the closure of the Account.

Mr P explained that R had to reinstate 15 standing orders which were cancelled because of the closure. Also, R then had to recover separately, the payments from customers that weren't received, around 30 payments in total. He explained that one payment in particular totalling £240 took eight months to recover because the customer lived abroad, and R did not have their address.

Mr P also said there were council tax difficulties too because of the cancellation of the direct debit for payment. He's told us a court appearance date was sent to him although matters were eventually resolved with the council.

Having carefully noted Mr and Mrs P's submissions, I've not been presented with any persuasive evidence indicating that R has suffered any financial loss arising from the closure of the Account.

But what seems clear, is that R suffered inconvenience as a consequence of the closure. However, given that the duration was over a period of 14 days, I'm not presently persuaded that alone caused the court proceedings by the council that Mr P has told us about. In all likelihood for there to have been a hearing in date issued for appearance in court for the lack of payment for a council tax, the issues which led to that would have been over a longer duration.

With all that being said and having thought about the general framework which this service considers when arriving at compensation amounts for inconvenience – further details of which can be found on this service's website, I'm satisfied that the inconvenience R experienced was far greater than the £150 recommended by the investigator recognises. Therefore, I intend recommending that Barclays pay an additional £350 compensation making a total of £500.

I believe £500 fairly reflects the impact of the issues raised in this case and is a fair way to resolve this complaint.

What happened after my provisional decision

Barclays accepted my provisional decision. But R did not, and Mr and Mrs P have written to me with further submissions and documents. I summarise what I regard as the key points.:

- The date of their visit to Barclays with the identification documents was some time after 2016 when R became a partnership. In all likelihood, it would have been after the covid pandemic.
- It was afterwards they received documents from the KYC team to complete and return to the bank which they did. And they later sent a copy of Mrs H's passport. But Barclays were still not satisfied.
- They did not ask Barclays to amend the mandate for the Account as has been suggested.
- They spoke to someone at the bank on 6 November 2023 who confirmed Barclays closed the Account in error – albeit this has been denied by the bank.
- Barclays could in any event have written to Mrs H to ask her for further ID.

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.

Where the evidence is incomplete or inconclusive (as indeed some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

I can see from Mr and Mrs P's submission their strength of feeling about this complaint and I thank them for their further submission and copy documents.

Without meaning any discourtesy I would add that whilst they made a number of points in further support of R's case, I won't be addressing all of them and only those that I've summarized. That is because in keeping with our role as an informal resolution service and as our rules allow me to do, I have focused on the issues I find to be material to the outcome of this complaint. So, where I've omitted to comment on any specific point, it's not because I haven't considered it – I assure Mr and Mrs P that I have. The reason I haven't commented is because I don't think I need to in order to reach what I think is the fair and reasonable outcome in this case.

To begin with, I take Mr and Mrs P's point about the date they attended a branch of Barclays with their identity documents. In other words that it was after 2016. But I don't think this is a pivotal issue in this complaint.

I say that because I am satisfied that the main issue in this case is that Mr and Mrs P believe Barclays closed R's account in error. And they've told us this was admitted by the bank. They have sent me a copy of what appears to be a file note that was sent to them by Barclays saying:

“customers' account has been closed. Already had a complaint logged yesterday. It looks like there was a confusion around the mandate and customer confirmed [Mrs H] is not a signatory so ID&V not needed for her. Looks to be a bank error”

I don't doubt in conversations Mr P had with the bank after the Account was closed, he was led to believe the bank had made an error. The note suggests the possibility that this was a response from the bank after taking at face value Mr P's account of things - which from a customer focus perspective, isn't an unreasonable thing to do.

But following its investigation and in formal submission to this service, the bank maintained otherwise. And furthermore, it also maintained that the Account was closed because R failed to provide information the bank requested.

The timeline of events and the evidence I've seen does tend to support that position: For example, on 14 August 2023 Barclays wrote to R to say:

"Before we can complete your request, we require some additional information. We have not received certified identification and address verification documents for [Mrs H]. To enable us to proceed with the request please arrange for [Mrs H] to visit a Barclays branch with identification and address verification to have a copy certified and sent to us. Certification from a Barclays branch should include the following details:

- *Branch stamp*
- *Statement of authentication to the effect of: certify this document to be true copy of the original'*
- *Name of certifying staff member and their staff identification number*
- *Date of Certification"*

And identical reminders were sent to R on 5 and 26 September 2023.

It was over a month after the last item of correspondence - on 30 October 2023, Barclays closed the Account.

I appreciate Mr and Mrs P say they did not ask Barclays to amend the bank mandate. But equally it is difficult to see why Barclays would have written to R in such terms unless they were acting on instructions.

I appreciate Mr and Mrs P did cooperate up to a point in that they sent Barclays a copy of Mrs H's passport. But the bank's request was specific, and it is Mr and Mrs P's testimony that they did not see any good reason for complying with it because the bank already had the information. That was a decision Mr and Mrs P were entitled to take. And it may well be the case, as they've submitted that Barclays could have written to Mrs H directly with their request for further ID. But equally, it wouldn't have been unreasonable for them to pass the bank's request to her if they hadn't done so.

So, I haven't changed my mind that I don't believe Barclays were in error when they took the decision to close the Account. However, I remain satisfied they were wrong to have gone ahead and closed the Account without giving R appropriate notice, causing Mr and Mrs P distress and inconvenience

Putting things right

Barclays should pay R an additional £350 on top of the £150 our investigator originally recommended as I believe this is a fair way of resolving this complaint.

My final decision

My final decision is the same as my provisional decision in the sense that I uphold this complaint.

In full and final settlement of it, I recommend that Barclays Bank UK PLC pays £500 compensation to R for the inconvenience caused to it.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 13 January 2025.

Asher Gordon
Ombudsman