

The complaint

A company, which I'll refer to as B, complains that Barclays Bank UK Plc should not have closed its bank account.

The directors of B also control other companies, and they have made separate complaints on behalf of those other companies. This final decision relates solely to B's dispute with Barclays; I have issued separate final decisions in relation to the other companies.

What happened

Barclays told us that it sent three separate Notice to Close (NTC) letters to B, each giving B 60 days' notice that it intended to close all of its accounts and banking facilities, and then a final NTC to say all B's accounts would close at the end of May 2023. It explained:

- It sent its first NTC on 3 August 2022, and said that it would terminate its relationship with B in early October 2022. However, it did not upload that letter to B's Online Banking, and it later discovered that the person it had written to was not in the UK. In addition, at the time it was also carrying out a Know Your Customer (KYC) review and its KYC team told B's directors that B's accounts would remain open despite any letters suggesting otherwise.
- In light of the confusion, it decided to rescind its first NTC. However, that was only to give B more time to arrange alternative banking facilities; it was not because it had changed its mind as to whether it wanted to offer accounts to B.
- It reopened B's accounts, then issued a second NTC letter explaining that it intended to close all of B's accounts at the end of December 2022. But it did not in fact close the accounts when it said it would, and instead issued a third NTC letter in January 2023.
- It closed B's accounts again in March 2023. However, as a result of the previous errors and confusion, it agreed to reopen the accounts again to give B further time to arrange alternative banking facilities. It issued a final NTC on 29 March 2023, giving a new closure date of 30 May 2023, and then went on to close B's accounts for a final time.
- It is not prepared to offer any further extensions, and it in particular it is not prepared to offer temporary banking facilities while B searches for another provider.

Barclays acknowledged that some of its correspondence was confusing, but it said its decision to close the account was carefully considered. It said it complies with all its legal and regulatory obligations, and that a decision to close an account is never taken lightly. It has thoroughly reviewed the circumstances and is satisfied that its decision to close B's account was correct. B does not meet its requirements to hold a business relationship.

B's directors told us:

- They control two companies in addition to B. At the beginning of 2022 all three of those companies banked with Barclays.
- Barclays carried out a review of B from May 2022 onwards. The directors provided all the information Barclays asked for. The review took four months so presumably was extensive – yet Barclays still decided to close all three companies' bank accounts. They consider Barclays has botched this matter, then attempted to cover up its error by restoring the accounts and then issuing another NTC. Barclays' attempts to hide behind its terms and conditions are a farce in this case.
- They believe Barclays may have chosen to close the accounts of all three companies because of misinformation, but without knowing the precise reason for Barclays' decisions they cannot properly challenge them.
- They also suspect Barclays may be closing accounts that are not producing enough income for the bank. They have been attempting to get to the threshold for Barclays Corporate Banking, at which point they would be able to apply to Barclays Corporate for trade finance and the bank would then be able to make additional money from working with B. They note that Barclays has not cancelled a business credit card in the name of one of the directors, and they assume that is because Barclays is happy with the money it is making on that card.
- If B cannot obtain banking facilities, it will have to close. It is not possible to operate a business like B without a bank account.

One of our investigators looked at this complaint, but did not uphold it. He said the terms and conditions of B's account allowed Barclays to close the account in the way that it did, and that Barclays isn't required to give a reason for its decision. He acknowledged that some of the information Barclays provided was contradictory, but overall he thought Barclays had given B clear notice of its intention to close its accounts – and that B had benefitted from the extensions given.

Barclays accepted our investigator's conclusions, but B's directors did not. They said the extensions hadn't provided any benefit at all; merely more confusion. They would like me to order Barclays to continue providing banking services until they are able to open accounts elsewhere. They have not been able to trade with the threat of an account closure hanging over them, so they would also like compensation for loss of earnings as well as consequential damages for mental anguish and the loss of credibility with their regular suppliers and buyers.

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.

I'm sorry to further disappoint B's directors, but there is very little I can add to what our investigator has already said.

Barclays is entitled to choose who it would like to offer accounts to, just as customers are entitled to choose who they would like to bank with. But when it closes an account, it must do so in a way which complies with the terms and conditions of that account. So I've looked at the steps Barclays took to see if it acted fairly.

It's clear that Barclays made some errors here. It sent conflicting information, and caused delays and confusion. Nevertheless, I am satisfied that Barclays did give B's directors 60 days' notice that it intended to close all of B's accounts. I'm satisfied that Barclays complied with its contractual obligations, and that it was entitled to close B's accounts. In addition, having looked at Barclays' rationale I'm satisfied that it was not based on misinformation, and that Barclays' decision to close B's accounts was not an attempt to cover up its own errors.

I appreciate that the directors say the extensions did not in fact help them – because they couldn't trade when they knew the accounts were due close again shortly – but I am not persuaded that B would now be in a better position if Barclays had closed its accounts after issuing the first NTC and then left the accounts closed. In other words, I don't think the delay in finally closing B's accounts caused it to suffer financial loss, and so I don't think it would be fair for me to make an award in that respect.

I know the directors would like Barclays to explain exactly why it has decided to terminate its relationship with B. Barclays has said that B does not meet its requirements to hold a business relationship, but Barclays is not obliged to tell B what those requirements are or why B does not meet them.

Finally, I accept that Barclays' decision has made it very difficult, and perhaps impossible, for B to continue trading. I'm sorry to hear about the problems the directors have had trying to open new bank accounts for B elsewhere. But I don't think Barclays was wrong to close the accounts, so I can't order it to pay compensation or to continue offering banking facilities to B. Overall, I consider that Barclays treated B fairly.

My final decision

My final decision is that I do not uphold this complaint about Barclays Bank UK Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 21 August 2023.

Laura Colman
Ombudsman