

The complaint

Mr M complains that Barclays Bank UK PLC (Barclays) acted unreasonably when it asked him to stop using his personal bank account for business purposes. He wants Barclays to reverse its decision.

What happened

Mr M has held a personal bank account with Barclays for many years. He is a sole trader and uses the account for personal and business transactions.

In December 2022, Barclays wrote to Mr M to say that it had noticed business transactions being undertaken using his personal bank account. Barclays said that in 2017 it updated its terms and conditions to confirm that operating a business through a personal account was not allowed.

Barclays told Mr M that if he already had a Barclays business account, he should move his business transactions to that account. And that if he didn't hold a Barclays business account, he should plan to move his business transactions. Barclays gave Mr M 30 days to make the necessary changes or risk having his account closed. Barclays credited Mr M's account with £70 to apologise for any inconvenience.

When Mr M complained to this service, he said that 30 days wasn't a reasonable timescale due to the Christmas period and the volume of direct debit and standing orders. Mr M said that clients use his personal account to pay any fees and that HMRC has the account details for tax purposes.

Mr M said that some bills he pays using the account are for home and work purposes. Mr M thinks that given five years has passed since Barclays made the change and as he's continued to use the account for business and personal use, Barclays is now estopped from relying on the amended terms. Mr M also said that Barclays didn't draw his attention to the change in terms.

The investigator didn't recommend that Mr M's complaint be upheld. In summary, the investigator said the terms state Mr M's personal account should not be used for business purposes. The investigator thought 30 days' notice was fair and pointed out that Mr M already holds a business current account with Barclays so wouldn't need to apply for a new account. The investigator said that £70 compensation was more than he'd have asked Barclays to pay.

Mr M was unhappy with the investigation outcome. He said the investigator hadn't dealt with the points he made about estoppel, the nature of his business and the duty imposed on businesses to draw important provisions to the attention of their customers. Mr M thought 30 days wasn't adequate notice. He couldn't see any reason why business use could not be coupled with personal use.

The investigator obtained some further information from Barclays and sent a second investigation outcome dealing with the changes to Mr M's personal account. The investigator

was satisfied that when Barclays wrote to Mr M in 2017 it highlighted the fact that a personal account should not be used for business purposes.

The investigator told Mr M that his circumstances as a self-employed individual hadn't been considered as the same terms apply to all personal account holders.

Mr M still disagrees with the investigation outcome. He says Barclays arbitrarily designated his account as a personal account after many years of him using it for all transactions, be they personal or business.

Mr M says that Barclays has a statutory duty to know their customer which means it should've considered him on an individual basis and reached a different conclusion.

Mr M says the existence of a business bank account is irrelevant as it was only opened to help secure financial assistance during the Covid pandemic.

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 realise that I've summarised Mr M's complaint in less detail than the parties and I've done so using my own words. The rules that govern this service allow me to do so. But this doesn't mean I've not considered everything that both parties have given to me.

Mr M says that the nature of his self-employed business means that closing his bank account would wreck his practice but Barclays has only said it will do this if he doesn't move his business transactions.

I appreciate that it will be disruptive to Mr M to have to move standing orders and direct debits, as well as notifying clients and other third parties. But the terms of Mr M's account state that a personal account can't be used for business purposes.

I'm satisfied that Barclays gave Mr M notice of the change to its terms in January 2017. The letter that it sent to Mr M includes a clarification of what the account can be used for which says:

"We have made it clear that this is a personal current account and is not to be used for business purposes. If we believe your personal account is being used for business, we may move it on to our Business Current Account or close the account if necessary."

So, I think Barclays did enough to draw Mr M's attention to the fact that he shouldn't use his personal account for business purposes. And that if he breached this term, Barclays could ask him to move to a business account or close his personal account.

Although Mr M was able to carry on using the account for both business and personal use following notification of the clarification, I don't find this means that Barclays is now prevented or estopped from relying on the terms of the account.

Barclays gave Mr M 30 days' notice and I consider this was reasonable, particularly as he already has a Barclays business account which he could have used.

If it was the case that Mr M had tried to separate his business transactions but found it difficult to do so within 30 days, he could have raised this with Barclays. And I would've

expected Barclays to respond fairly. But that isn't what happened so I've no reason to find that Barclays has been unreasonable when dealing with Mr M.

I accept that there may be occasions in the future when clients or third parties mistakenly use Mr M's personal rather than business account. If this happens, I expect Barclays to respond fairly so that Mr M has the chance to swap them over if necessary.

Mr M thinks that the nature of his business means that Barclays should treat him differently to other customers. As I need to avoid inadvertently identifying Mr M in my decision, I've decided not to refer to his job title. But this doesn't mean I've not considered the point that Mr M makes. Having done so, I don't intend any disrespect but I can't see that his job puts him in a different position to most kinds of self-employed individuals who work from both home and office and therefore need to juggle business and personal expenditure for banking and tax purposes. So, I don't find Barclays made an error in the way that it dealt with Mr M.

Barclays previously credited Mr M's account with £70 to apologise for any inconvenience and upset caused by its request to separate out his business transactions. I consider this was fair so I don't require Barclays to take any further action in response to Mr M's complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 31 July 2023.

Gemma Bowen
Ombudsman