

The complaint

Mr S complains that N26 Bank GmbH (N26) blocked and closed his account, and returned some of the funds remaining in his account (£523.46) to a third party who had raised a dispute with N26 about the funds.

To put things right, Mr S wants N26 to return the £523.46 to him.

What happened

On 7 June 2019, N26 blocked Mr S's account, while it carried out a review. On 2 July 2019, it sent Mr S an email telling him it would close his account in two months. Then, on 30 July 2019, it emailed Mr S again saying it had identified a substantial violation of its terms of business and had closed Mr S's account with immediate effect.

Mr S's account balance at the time was £556.22. N26 returned £523.46 to a third party who had raised a dispute via his bank and released the remaining account balance of £32.76 to Mr S.

On 31 July 2019, N26 wrote to Mr S to confirm the outcome of its review. It said it had completed its review and that it had returned the £523.46 to the third party, after receiving a dispute from the third party's bank. It said Mr S could refer his complaint to our Service, if he remained unhappy.

Mr S then brought his claim to us. Our investigator said N26 was entitled to block and close Mr S's account. But she said it shouldn't have returned the £523.46 to the third party because Mr S had already spent that money, and so the third party's claim was unrelated to the funds in Mr S's account.

N26 objected. It said the two balances can't be considered separately, and that it was entitled to return the £523.46. It asked for an ombudsman to consider the matter afresh.

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.

Account block

Having looked at the evidence, I'm satisfied N26 acted in line with its legal and regulatory obligations when it blocked Mr S's account. And that it was entitled to do so under the account terms and conditions that govern the relationship between it and Mr S.

I've also reviewed the timeline to see if N26 acted promptly or caused any unnecessary delays. Having done so, I'm satisfied it completed its review in a reasonable timeframe.

Having reviewed the actions N26 took then, I can see no basis on which I might make an award against it. And I'm satisfied it complied with its own procedures when it blocked and reviewed Mr S's account. So, I'm not going to ask it to compensate him for any distress and inconvenience this may have caused. Or for any losses he suffered as a result.

Account closure

A bank is entitled to close an account with a customer, so long it does so in a way that complies with the terms and conditions of the customer's account.

The terms and conditions of Mr S's accounts – which both N26 and Mr S had to comply with – say that N26 could close the account at any time by giving two months' notice, or immediately and without notice, under certain circumstances.

So, I've looked at the terms of business, and I've thought about the evidence N26 provided me to support its decision. Having considered the evidence I've been provided, I'm satisfied that N26 acted in accordance with its terms and conditions when it closed Mr S's account. So, I won't ask it to do anything to put things right for Mr S.

Returning the funds

I've looked at Mr S's account history and I've listened to what both he and N26 have told our Service about the disputed funds. Having done so, I won't be asking N26 to return the funds to Mr S. I'll explain why.

When Mr S first came to our Service, he said a friend abroad had asked him to receive monies from a friend in the UK and send it to the first friend abroad. He said the UK friend didn't have a Western Union account so couldn't send the money himself. He told our Service the funds in question were £753.

Mr S then explained that he didn't actually know the UK sender, and that he was only friends with the person to whom he sent the money. He went on to say that he didn't understand why the UK sender had raised a dispute, and that he was confused as to why he had only disputed £523.46 of the £753.

Having looked at Mr S's statements, I can see that he received £523.46 from the UK sender. And that he sent £753 to his friend abroad. The £753 appears to be made up of the £523.46, plus a payment from another third party of £100 and a payment from a further third party of £129.76. All three payments are from difference accounts and one of them has the reference 'British Gas'. The total of those transactions is £753.22.

I asked Mr S to provide evidence that he had been asked to send the monies to a friend abroad. And to show the link between the UK sender and the friend abroad. I also asked him to explain why he had told our Service he had received the money from one party, when in fact it had come from three sources. But Mr S didn't reply.

Having considered the above, and what N26 has shown me, I understand why it had concerns about the way Mr S was operating his account and about the transaction in question. I've given Mr S the opportunity to explain the transactions, explain the discrepancies in his story, and provide evidence to demonstrate he's entitled to the funds. But he has not done so.

So, having considered all of the evidence I've received from both parties, I'm satisfied N26 didn't act unfairly when it returned the funds to the third party.

I know Mr S will be disappointed with the outcome. But, having looked at all of the available evidence, I can't say that N26 did anything wrong. So, I'm not upholding Mr S's complaint

My final decision

For the reasons I've set out above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 27 November 2020.

Alex Brooke-Smith
Ombudsman