

The complaint

Mr C complains that Bank of Scotland plc, trading as Halifax, blocked and then closed his accounts – and applied a fraud marker against his name.

What happened

Mr C had a current account with Halifax which he opened in September 2019. To help prove his address, Mr C gave Halifax an energy bill. A few weeks later, Mr C opened a help to buy ISA. This account would allow Mr C to receive a 25% bonus from the Government, up to a maximum of £3,000 towards the purchase of his first home.

But in December 2019, Mr C received a large payment. Halifax had concerns about this payment. It also checked the energy bill – and suspected it was fake. Halifax then blocked access to Mr C's accounts.

Mr C says he then contacted Halifax. He says he was asked to go to a branch with proof that his energy bill was genuine. But after he did this, he was told the decision to close his accounts was final. He was given two months' notice – and the blocks on his account remained in place until the account finally closed in February 2020.

Mr C then tried to open a new account with another bank. The application was rejected – Mr C was told this was because of information on his credit file. Mr C checked this, and learned that Halifax had filed an entry with the Cifas national fraud database.

Unhappy with all of this, Mr C complained to Halifax. He says that because Halifax closed his ISA he lost the chance to claim under the Government's help to buy scheme. He says he wasn't able to access his funds until Halifax released the funds to him in March 2020. He's also unhappy that the marker prevented him opening new accounts elsewhere.

Halifax looked into this. It agreed that it could have explained things better – in particular, Mr C had attended the branch when he didn't need to. So it offered to pay Mr C £75 for the inconvenience this caused. But it didn't agree the complaint about the Cifas entry or the account closure should be upheld. Dissatisfied, Mr C referred the complaint to us.

One of our ombudsmen issued a provisional decision on this complaint on 30 March 2022. She said that, based on what she'd seen, the complaint should be upheld. She said Halifax should pay Mr C £1,100 to compensate him for missing out on the government bonus from the Help to Buy ISA. She thought Halifax should also pay Mr C £620 compensation for the distress and inconvenience the matter caused him,

Halifax agreed with this. Mr C agreed with parts of the decision, but thought we should award more compensation for the inconvenience Halifax caused – and also suggested Halifax should pay simple interest on the £1,100.

The other ombudsman is not in a position to issue the final decision. The complaint has therefore been referred to me to review 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.

Financial businesses like Halifax are subject to a number of legal and regulatory requirements. This means they need to monitor customers' accounts and transactions, and may need to block or review an account at any time.

In this case, Halifax had concerns after Mr C received a payment of around £5,200. It also believed that the document Mr C had used to open the account was false. Thinking about all of this, I note that the payment was a lot larger than any of the payments into the account up until that point. We've also asked Halifax about the energy bill – it says there were issues with the barcode of the front of the bill.

With all this in mind, I can't say Halifax acted unreasonably in their initial decision to block and review Mr C's account. I don't doubt that what happened was stressful – Mr C says he was overseas when this happened. And I recognise that Mr C doesn't think there was anything particularly unusual about this payment into the account, given his business. But I'm satisfied that Halifax was acting in line with its regulatory and legal requirements at the point it reviewed the account.

Halifax then carried out its review. It completed this on 20 January 2020. I appreciate this took a little while to complete, but based on what I've seen, I can't say the delay was unreasonable. But it doesn't appear that Halifax told Mr C that the review was complete. This means Mr C didn't withdraw his funds until March 2020. Halifax has agreed to pay £70 for the trouble and upset this caused.

I've next considered Halifax's decision to close Mr C's accounts. I note that Halifax gave Mr C 60 days' notice that his accounts would be closed. But as Halifax had blocked Mr C's accounts, it had, in effect, closed the account immediately.

Halifax has explained this is because it believed Mr C had used a fraudulent document when he applied for the account. But we asked the energy provider about this bill, who said it was genuine. I recognise that the terms and conditions allowed Halifax to close any account by giving two months notice – without giving reasons. But in the circumstances, I'm not persuaded Halifax treated Mr C fairly when it closed the account.

I've therefore thought about the impact this all had on Mr C.

First, I see that Mr C had £1,600 in his help to buy ISA – and was transferring £200 a month into the account. The account provided a government bonus if the savings were used to purchase a property. Mr C says he used the money to purchase his first home – in March 2021. Given the money Mr C had in his account at the time the account closed and the amount he was saving each month, I think it's likely that Mr C would have had £4,400 in his account when he purchased the property. I think he'd most likely have been eligible for a government bonus of £1,100. I think Halifax should compensate him for this loss.

Mr C has asked if this includes simple interest to compensate him for the time he's been out of pocket. I can see that if he'd had the bonus, he could have used this amount towards the cost of the property – rather than having to rely on his own funds. With this in mind, I contacted Halifax to see if they'd pay simple interest from the date Mr C bought the property – when he'd have received the bonus - until the date Mr C gets it back.

I've also thought about the information Halifax registered with the national fraud database. I

acknowledge that Halifax believed that Mr C had provided a fraudulent document. But the business that had issued the document has said that it's genuine. I haven't seen anything to show that Halifax checked the bill with the utility company. I note Mr C insisted the bill was genuine and tried to get confirmation of this from the energy company. So I think further checks would have been reasonable. I'm mindful that the Cifas principles say that members should only record information where there are reasonable grounds to believe that a financial crime has been committed and that the evidence is such that the matter could be reported to the police – and Halifax needed to carry out checks to meet this requirement. So I'm not persuaded Halifax had cause to register the marker.

I note that following our involvement, Halifax agreed to remove the marker, which it did in September 2021.

My colleague recommended Halifax pay £150 for the immediate account closure and a further £400 to reflect the impact of the fraud marker. Along with the £70 for not telling Mr C that Halifax had closed the account, this added to £620 in total. Mr C says he instead thinks he should be paid £10,000. I've thought about this.

Where I award compensation for distress and inconvenience, this isn't to punish the business but to reflect the impact its actions had on the consumer. I see what Halifax did caused Mr C considerable distress, upset and worry over many months. Mr C has explained that he was unable to apply for new bank accounts. He says it also caused him anxiety each time he contacted financial institutions or other professionals. He says he involved solicitors to try and resolve matters. And I note Halifax only reviewed matters following our involvement, despite Mr C having tried to provide additional information.

That said, Mr C was able to take steps to mitigate the impact this had on him. He says he was able to arrange for important bills to be paid from the accounts of friends and family. And I note that, in spite of the fraud marker, Mr C was nevertheless still able to apply for a mortgage when he bought his home in March 2021.

So while I don't doubt that everything that happened was distressing for Mr C, I'm not persuaded to award more for the inconvenience than my colleague already recommended.

I note Mr C's comments about Halifax's processes and the impact they have on customers more generally. In this decision, however, I am just looking at the individual circumstances of Mr C's complaint. Any concerns Mr C has more generally need to be raised with the regulator.

Putting things right

As explained above, Bank of Scotland plc should:

- Pay Mr C £1,100 to compensate him for missing out on the government bonus from the Help to Buy Isa when Halifax closed his accounts.
- Pay simple interest (the rate is 8% simple per year) on that amount from the date Mr C would have received the bonus until he gets the money back. Based on what I've seen, Mr C bought the property on 5 March 2021. If HMRC requires Bank of Scotland plc to pay tax on that interest it should send Mr C a certificate showing how it worked this out, if Mr C asks for one.
- Pay Mr C £620 compensation for the trouble and upset it caused.

My final decision

For the reasons above, I uphold Mr C's complaint. Bank of Scotland plc should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 15 July 2022.

Rebecca Hardman
Ombudsman