

The complaint

Mr C is unhappy that TSB Bank PLC (TSB) blocked and closed his account, after receiving a fraud report relating to funds that had entered his account. He says he can't open an account elsewhere and he wants TSB to fix that.

What happened

In August 2019, a payment of £3,320 entered Mr C's account. Mr C then made a few small payments from his account before attempting to make a large payment out to an electronic money institution. When he did so, TSB blocked his account. It said it suspected the credit into Mr C's account was fraudulent and asked him to attend his local branch to provide identification and submit proof of entitlement to the funds.

Mr C said the funds were from his cousin in Nigeria and attended branch to show his identification documents, and submit proof of entitlement. TSB didn't accept that the evidence Mr C provided demonstrated he was entitled to the funds. Mr C couldn't provide any further evidence, so TSB returned the remaining funds (£3,020.28) to the remitting bank. It allowed Mr C to withdraw his benefits from the account, but otherwise kept the account blocked.

TSB then told Mr C it would be closing his account. It says it gave him two months' notice to make other banking arrangements.

Mr C complained. He said the payments were legitimate and that he was trying to send money to his wife, although he told TSB he wasn't actually married. He said he couldn't open an account elsewhere since TSB had closed his account.

On 9 July 2020, TSB issued its final response to Mr C's complaint. It said it had concerns about the payment that had been received into Mr C's account, and explained it's obliged to establish the nature of its customers' business, and the origin of funds in their accounts, in order to comply with anti-money laundering regulations.

It said it had received an allegation of fraud from the bank that had sent Mr C the payment, and that it wasn't satisfied with the evidence Mr C had provided to demonstrate he was entitled to the funds.

It said it had an obligation to report our customer's data accurately to the Credit Industry Fraud Avoidance System (CIFAS). And recommended Mr C should contact CIFAS if he was experiencing issues opening accounts elsewhere.

Mr C remained unhappy, so he brought his complaint to our service. Our investigator didn't uphold his complaint. She said TSB had acted fairly when it blocked and closed Mr C's account, and that it had given him the opportunity to prove the funds weren't fraudulent.

Mr C didn't agree. He insisted there was no fraud and said he just wanted to be able to open a bank account. Our investigator didn't change her opinion, so Mr C asked for an ombudsman to review 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

The banking industry is heavily regulated and all banks in the UK have various legal and regulatory obligations, with which they have to comply. As part of these obligations, sometimes banks have to block accounts while they carry out a review and gather certain documents or information.

Having looked at all of the evidence, I'm satisfied TSB was entitled to block Mr C's account while it carried out an investigation. And that it was complying with its legal and regulatory obligations when it did so. TSB explained the reason it blocked Mr C's account and gave him the opportunity to prove he was entitled to the funds that were reported as fraudulent. I've seen the evidence Mr C submitted and I'm satisfied TSB acted reasonably in rejecting the same. Because Mr C couldn't prove he was entitled to the funds, it follows that TSB was entitled to maintain the account block and returning the funds to source. So, I can't reasonably say it did anything wrong.

Account closure

Just as a customer may close an account with a bank, a bank is entitled to close an account with a customer. But when it closes the account, it must do so in a way which complies with the terms and conditions of the account.

The terms of Mr C's account, with which both TSB and Mr C had to comply, say that TSB can close Mr C's account at any time as long as it gives at least two months' notice. Or immediately in certain circumstances. TSB says it didn't issue a letter confirming the account closure, so I can't see how much notice it gave Mr C. However, having reviewed the information it relied on to close Mr C's account, I'm satisfied TSB was entitled to close Mr C's account immediately and therefore that it closed Mr C's account in accordance with the account terms and conditions.

TSB has told Mr C what he can do if he is having difficulty opening an account elsewhere, and I'm satisfied it has given him a reasonable explanation in that regard.

My final decision

For the reasons I've set out above, 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 C to accept or reject my decision before 25 March 2022.

Alex Brooke-Smith
Ombudsman