

The complaint

Mrs S complains that Starling Bank Limited (Starling) blocked and closed her two personal accounts without notice and without explaining why. To put things right, she wants Starling to explain the reasons for its decision and to pay compensation for the distress and inconvenience she experienced.

What happened

On 28 April 2022, Starling wrote to Mrs S in connection with an account in the name of a limited company she controlled, requesting identification documents. After Mrs S provided the documents, Starling blocked her two personal accounts and gave immediate notice of its intention to close the same.

Starling also took similar actions in respect of the limited company account, but I won't address that matter in this decision because the limited company is a separate legal entity to Mrs S.

Mrs S complained, saying Starling's actions had had a significant impact on her mental and physical health. But Starling didn't uphold her complaint, so she asked our service to assess Starling's actions.

Our investigator looked at Mrs S's complaint, but she didn't uphold it. She recognised the impact this had had on Mrs S, but she said she could only uphold Mrs S's complaint if Starling had done something it shouldn't have. And, having reviewed the evidence and information both parties submitted, she was satisfied that Starling had acted in line with its legal and regulatory obligations when it blocked and closed Mrs S's accounts. And that it was under no obligation to share its rationale with Mrs S. So, she didn't ask Starling to compensate Mrs S or explain its decision, because she said it hadn't made an error or done something it shouldn't have done.

Mrs S didn't agree, so she 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.

Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do.

This approach simply reflects the informal nature of our service as a free alternative to the courts. And I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mrs S and Starling have said, before reaching my decision.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of Mrs S, I would need to be satisfied that Starling acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence it relied on in reaching its decision, I'm satisfied Starling acted in line with its legal and regulatory obligations when it blocked Mrs S's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between Starling and Mrs S.

The accounts were blocked on 29 April 2022 and Mrs S withdrew the balance of £4.40 in her sole trader account on 4 May 2022, with the balance of the personal account (£412.25) following by cheque on 20 May 2022. And, having reviewed everything both parties have provided me, I'm satisfied Starling cause no unreasonable delays in allowing Mrs S access to the funds in the accounts.

Account closure

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

Starling issued two letters dated 29 April 2021 confirming the account closures, which confirmed the accounts would be closed with immediate effect. It said the terms and conditions of the accounts allowed it to withdraw banking facilities by serving notice in writing, and that its company policy meant it couldn't elaborate on the reasons for its decision.

I've looked at the evidence Starling provided our service to determine whether or not it acted fairly and in accordance with its terms of business when it closed Mrs S's accounts. And having done so, I'm satisfied that it did and that it was entitled to close S's accounts without giving advance notice. And that it doesn't have to explain the reasons for its decision to Mrs S.

I appreciate it will be frustrating for Mrs S that Starling won't disclose the reasons for its decision, but it's under no obligation to do so whether contractually or otherwise. And I'm not persuaded it would be appropriate to compel it to do so in the particular circumstances of this complaint.

For the reasons I've set out above, I'm satisfied Starling acted appropriately in this matter and so it follows that I won't ask it to take any further actions to put matters right for Mrs S. I should stress that I don't underestimate the impact this had on Mrs S, but I can't ask Starling to compensate Mrs S in circumstances where it took actions it was perfectly entitled to take.

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 Mrs S to accept or reject my decision before 1 March 2024.

Alex Brooke-Smith
Ombudsman