

The complaint

H, a limited company, complains about Starling Bank Limited's actions when closing its business current account and using the money left in the account to repay its Bounce Back Loan (BBL).

What happened

H held a business current account with Starling. H also held a loan under the BBL Scheme with Starling.

In February 2021, Starling blocked H's business current account while they carried out a review. They asked H questions relating to different cash deposits which had been made into the account, and asked H to provide evidence of what the money was for. H's director explained that H accepted cash payments from its overseas customers for deposits to rent properties in the UK. H provided invoices to show the transactions which had taken place.

Starling completed their review in August 2021 and wrote to H to inform it they would be closing its business accounts and gave 60 days' notice. It appears H's account remained blocked – and the accounts closed in October 2021.

Starling issued a cheque to H for the remaining balance held – however, when H's director went to cash the cheque, he realised they had been cancelled. Starling explained they had initially decided to repay the money held in the account to H, but then decided to offset the money held from the BBL loan H held with them. H's director complained.

Our investigator reviewed things and didn't think Starling had acted fairly. Initially she said Starling were entitled to restrict the account and close it but she thought Starling should return the money held in the account to H as she hadn't seen anything to show they were entitled to pay the outstanding money from the current account to the BBL. Based on the information she had seen, our investigator thought the amount held in the account was £61.95 – she also asked Starling to include 8% simple interest on this amount.

Starling responded and offered £150 compensation to recognise the distress the miscommunication about the cheque payments would have caused. It doesn't appear this offer, however, was passed on to H.

H responded and said the cheque it had received was for £1,464.80 – not £61.95 – so it wanted the full money back. H also confirmed it had received an additional cheque for £880.22 from Starling.

Our investigator reviewed things again – she found that the £880.22 was a refund H had received into its account from one of its customers in June 2022 and the additional missing money H was referring to was money held in the dollar and euros account. Our investigator asked Starling to provide an up to date statement showing the total amount held in all accounts and what had been transferred to the BBL. Starling wasn't forthcoming with this information and our investigator chased for a response suggesting that it was likely she would ask them to repay H the following:

- \$1,735.89 plus 8% simple interest
- €169.12 plus 8% simple interest
- £61.95 plus 8% simple interest.

As no response was received, and H remained unhappy, the complaint was passed to me to decide.

In February 2023, I issued a provisional decision. In it, I said;

I've noted that there is a lot of information which has been shared by H – and a lot of statements have been provided, albeit, it's not entirely clear where the money has been transferred to when it has left H's accounts. Like the investigator, I've considered everything, but I don't believe it's necessary to address each and every point. I'm required to meet my statutory duty to determine this complaint with minimum formality, and so I'll address the issues that I consider to be the most important. I do stress however that I've considered everything that H and Starling have said before reaching my decision.

The main issue to address is that Starling has provided us with very little evidence. We don't have evidence of:

- *Why the review took from February 2021 – August 2021 and what actions Starling were taking for this period of time.*
- *Why two months' notice was given to close the account, but it appears the account remained blocked – therefore, resulting in an immediate closure.*
- *Where the money from H's accounts has been sent to after it left the current accounts – albeit Starling have confirmed they have offset it against the BBL.*
- *The current or remaining balance of the BBL.*

I respect that Starling has internal policies and processes to follow along with legal and regulatory obligations. But they are also aware of our rules. DISP 3.5.2 states, amongst other things, that an Ombudsman can "reach a decision on the basis of what has been supplied and take account of the failure by a complainant or a firm to provide information that an Ombudsman has requested; and...."

Therefore, I've made my findings based on the evidence and information I have received.

The account block, review, and closure

Starling are entitled to review the account under the account terms and conditions. And a bank isn't generally obliged to provide an explanation as to why funds are generally not accessible. Having looked at the evidence, I'm satisfied that Starling acted in line with their legal and regulatory obligations when they blocked and reviewed H's accounts. I recognise this caused H significant distress as it couldn't access its money or continue with its business, but I can't fairly conclude that Starling did anything wrong. And therefore, I can't reasonably uphold the complaint for this reason.

We wouldn't usually confirm a timeframe in which a bank has to carry out a review – but we would always consider if there were any unavoidable delays. I appreciate H is unaware of why Starling took the actions they did. Starling has shared information with our service and while I'm unable to pass that information on to H, I'd like to reassure it that I'm satisfied Starling had reasonable cause to carry out a review. When financial institutions carry out reviews, it's common practice across the banking industry that the review will require additional information from the account holder. Often, the information required is related to the consumer's identity, proof of entitlement to recent payments or more details on what the account is used for. I'm pleased to see Starling included H in their review by asking

additional questions relating to recent payments before finalising their review and making the decision to close the accounts.

At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if H decided to stop banking with Starling, it wouldn't have to explain why.

However, Starling can only close accounts in certain circumstances and if it's in the terms and conditions of the account. Starling have relied on the terms and conditions when closing H's account. The business account terms explain that the bank can close the account immediately – or give notice of at least two months. I appreciate Starling did give the notice – but it appears the account remained blocked, and therefore, H couldn't use it so I have treated this as an immediate closure. I've considered the full circumstances of this complaint and I don't consider Starling has supplied enough evidence to satisfy me that H breached any of the terms listed to warrant an immediate closure.

I've thought carefully about the impact H's accounts being closed on the same day had compared to if it had been given two months' notice. I think the required notice period would have allowed H to switch its accounts and inform its business clients of alternative account details. So, to recognise this inconvenience, I think Starling should pay H compensation.

The subscription fees

During the months H's account was blocked, I've seen Starling still charged it a monthly subscription fee of £7 per month. I don't consider this to be fair in the circumstances as H couldn't use its account; and therefore, it isn't fair that it continued to pay for the service. So, I think Starling should refund the subscription fee for the seven months H couldn't access its accounts.

Withholding the funds and offsetting the debt

I'm aware Starling used the money held in H's accounts to repay part of the BBL loan – albeit I haven't seen any evidence of this. Our investigator didn't think Starling were entitled to do that, and thought Starling should repay the money, including interest, back to H directly. I've reviewed the BBL terms.

Term 14 states;

14. SET-OFF

Starling may at its election and at any time set off liabilities of the Borrower to Starling against any liability of Starling to the Borrower, whether either liability is present or future, liquidated or unliquidated, and whether or not either liability arises under this Agreement.

While I don't consider this point to be the clearest, I'm satisfied that Starling are entitled to use the funds H held in its current accounts to settle the debt owed on its BBL account. I do, however, consider that Starling need to provide an up to date statement to H to show what amount has been offset against the BBL and ensure this is correct alongside the amounts held in the current accounts.

I can't reasonably say Starling should give the monies in question back to H directly. I do, however, recognise Starling caused confusion by sending H a cheque and then cancelling it without any thorough explanation so I think compensation should be paid to recognise this inconvenience.

Compensation

I'm aware Starling have offered £150 compensation, and I think this fairly reflects the distress and inconvenience caused by closing the account immediately and the confusion around the cheques being sent and then cancelled.

So, in summary, I thought it was likely appropriate for Starling to:

- Provide clear, up to date statements to show what money has been transferred and where it has been offset against the BBL debt.
- Refund H £49 subscription fees, plus 8% from the date each subscription fee was taken, up to the date they refund it.
- Pay £150 compensation for the distress and inconvenience caused.

Starling responded and accepted the provisional decision.

H responded. In summary, it questioned a refund which was received into its account in June 2022, and the amount held in the account at the time Starling closed it. H remained unhappy and didn't think the £150 compensation fairly reflected what had happened.

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 appreciate H feels very strongly about this. I've thought carefully about the extra points it has raised, and agree Starling need to do more to put things right.

The refund of £880.22

Starling confirmed H received a refund into its account in June 2022 for £880.22. Starling sent a cheque for this amount to H in November 2022 – and Starling confirmed the cheque has been cashed. So, I'm satisfied H has this money.

I recognise there was a delay in sending the refund amount from June 2022 to November 2022. I've seen nothing to satisfy me that Starling couldn't have sent the refund to H when it was received in the account in June 2022. Therefore, I consider interest should be paid on this amount to recognise H's loss of use of the funds.

The money left in the account at the time of closure

H doesn't agree that Starling should be allowed to keep the money it held in its account at the time of the closure. I've explained in my provisional decision why the terms of the BBL allow Starling to offset any remaining balance from the loan. So, while I recognise H hasn't received this money directly, I'm satisfied it has been paid against H's BBL account, and therefore reduced the balance H owes to Starling on this loan. I appreciate H isn't happy this has happened, but the terms allow it and therefore I can't fairly say Starling have done anything wrong in this regard.

The compensation amount

H has said it doesn't think £150 compensation is fair. While I can award compensation for any distress or inconvenience caused by Starling's actions, this isn't intended to punish the business but to reflect the impact their actions had on H. Here, Starling closed H's account immediately and then caused confusion with issuing cheques and then deciding to offset the balance from the BBL. Having considered everything that's happened, I am satisfied £150 is a fair figure in the circumstances.

Putting things right

Overall, I consider Starling should have given H two months' notice to close its accounts. I also think they shouldn't have continued to charge H a subscription fee for a service it couldn't use. And I think Starling caused delays when sending H a refund of £880.22 in November 2022 – so they should pay 8% simple interest on this amount.

I do, however, consider Starling were fair in offsetting the remaining amount held in H's account to the BBL loan so while I won't be asking Starling to pay this to H directly, they should provide clear, up to date statements to show the money which has been transferred to the BBL.

My final decision

For the reasons I've explained above, and in my provisional decision, I uphold this complaint. To put things right, Starling Bank Limited should do the following:

- Provide clear, up to date statements to show what money has been transferred and where it has been offset against the BBL debt.
- Refund H £49 subscription fees, plus 8% from the date each subscription fee was taken, up to the date they refund it.
- Pay 8% simple interest on the £880.22 refund from the date it was received into the account, up to the date Starling issued the cheque.
- HM Revenue & Customs requires Starling to withhold income tax from the above-mentioned interest. Starling should give H a certificate showing how much tax is taken off if H asks for one.
- Pay £150 compensation for the distress and inconvenience caused.

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

Hayley West
Ombudsman