

The complaint

Mr H complains about the manner in which TSB Bank plc blocked and then closed his account. He'd like to be compensated for the hardship his caused.

What happened

In August 2021 Mr H attempted to make purchase a watch for £1,800 using his TSB account, but had difficulty authenticating the payment. He contacted TSB to try to resolve the situation, which involved updating his phone number with the bank. But this didn't resolve the situation.

Mr H later found the bank had blocked his account and asked him for proof of entitlement for two transactions paid into his account. He provided further information to the bank, but after a review the bank decided to close his account with immediate effect. They also held on to the remaining funds in the account.

When Mr H attempted to speak to TSB, he had difficulty getting through to speak to anyone, and was given incorrect information about whether he could withdraw his funds.

Mr H complained to TSB. The bank responded to say that they were within their rights to ask him for proof of entitlement to the funds in his account, and to block the account while they do so. They said they hadn't accepted his proof of entitlement, so the funds were recovered and the account closed. But they accepted the service he received hadn't been up to standard, so offered him £30 to resolve the complaint.

Unsatisfied with this answer Mr H referred the complaint to our service. He said the block on the account had put him in to significant financial hardship, and he wasn't able to pay for essentials. Because of this he had fallen in to rent arrears. This had had a severe impact on his mental health and personal relationships. Because his account had been closed, he hadn't been able to maintain payments into his crypto investment accounts, and the funds had been liquidated at a significant loss to him. Since the closure he's had difficulty opening accounts or obtaining credit.

TSB reassessed their position – they accepted they could have done more to verify the payments into Mr H's account, and they now felt that they should have returned the funds remaining to him earlier. They offered to return the funds, along with 8% simple interest. They also agreed to pay him £250 for the distress caused.

Our investigator felt this was fair. They said it was reasonable for TSB to block Mr H's account while they investigated his source of funds. But when it came to the closure, they weren't convinced it was reasonable for the account to be closed right away – it would have been reasonable to give him the 60 days' notice required in the account terms. And it wasn't reasonable for TSB to retain his funds as long as they did. So, it was reasonable to return the funds along with the 8% interest.

The investigator didn't agree TSB were responsible for Mr H's further losses. They felt the rent arrears had built up before the account closure, and the closure of the investments was

significantly afterwards. They couldn't see TSB had recorded anything that would prevent him being able to open accounts elsewhere. She accepted the impact TSB retaining his funds had on Mr H's health and wellbeing. But overall, they were satisfied that the compensation of £250, in addition to the £30 previously offered, was fair.

Mr H disagreed, saying he didn't feel this adequately took into account his circumstances, and the consequences of TSB's actions. He asked for an ombudsman to review the complaint, so it has been passed to me to decide.

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 want to assure Mr H I've read and considered all of his submissions to our service. I appreciate he's provided us with a lot of information on how he feels his issues with TSB have impacted him. But in this decision, I've concentrated on what I see as the crux of the complaint, the most important issues. This is in line with the rules of our service and reflects our role as an informal dispute resolution service. If I don't mention something in particular it isn't because I've not understood it or failed to take it on board, but because I don't see it necessary to reaching a fair and reasonable decision.

Overall, I am satisfied that TSB haven't treated Mr H fairly. But I consider the offer TSB have put forth to resolve things is reasonable in the circumstances. I appreciate Mr H will likely find this disappointing, but I'll explain why below.

Account blocks and reviews

TSB, like all UK financial businesses, have legal and regulatory obligations to meet when providing accounts to their consumers. They have particular duties to monitor the transactions on accounts and understand how the account is being used. This can mean that on occasion they need to ask a consumer for further information on money paid into the account, and the transactions going out. This is what happened here with Mr H's account. I appreciate Mr H will have found it frustrating to have his account blocked, but as TSB were meeting these requirements, I don't see that they've been unreasonable or unfair. So, I wouldn't ask them to compensate for applying the block, or from any upset that flowed from this.

Mr H provided the requested information promptly, but it seems TSB weren't satisfied with what was provided. TSB have accepted they could have done more to follow up on this investigation, such as speaking to the other firms involved. But this wasn't done, and instead the review was completed on 19 August 2021. Once the review was completed TSB could have released the funds to Mr H – but they held on to them until July 2022. I can't see a reasonable justification for this delay.

I'm mindful that Mr H was intending on spending most of these funds on the purchase of the watch which didn't go through. So, this wasn't likely money he needed to pay for essentials – but this is money he has been without for a considerable length of time. It's right that TSB add 8% interest to this amount for the time that he was without the funds.

Account closure

Payment account providers can close consumers' payment accounts so long as they do so in line with the relevant regulations and the terms of the account. Typically, this involves

giving two months' notice – and this is what's in the terms of Mr H's TSB account. This is generally thought of as enough time to arrange new banking facilities.

However, in Mr H's case TSB closed the account immediately. The terms also outline reasons when an account can be closed without notice. I've considered these reasons, but I'm satisfied none of them apply to the circumstances. It wasn't reasonable for TSB to close Mr H's account immediately.

TSB should have given Mr H two months' notice before closure, which would have been until 19 October. But Mr H's accounts always would have closed then, and he would have had to make alternative banking arrangements. Because no notice was given, I'm satisfied Mr H was left without the ability to make and receive payments between 19 August and 3 October, when he was able to open another payment account.

It was fair for TSB to decide to close Mr H's account, but I don't think the manner in which they did was fair. This will have added to the inconvenience and distress.

Mr H's losses

I've considered whether it's reasonable to hold TSB liable for any of the losses Mr H has claimed for his account being shut. And I think it's important to be clear that I'm considering whether the impact on TSB not providing sufficient notice before closing Mr H's account led to any consequential losses, as this is the where they've been unreasonable.

Mr H has said because of the account closure he fell in to rent arrears. But from the statement I've seen the rent arrears began several months before his account was blocked and subsequently closed by TSB. The statement shows that he continued to make payments towards the rent even during the period the account was blocked, and for the period he should have had use of his TSB. So, I can't agree the rent arrears were caused by TSB closing his account.

But I accept it will have made it more difficult for Mr H to pay his utilities. He's sent us evidence of his broadband being disconnected for non-payment – although looking at the billing dates the periods of non-payment don't fall within the two months' notice period. I also see from the statements of the TSB account the broadband Direct Debit was returned unpaid in July 2021, before any block had been applied to the account. But I also accept not having an account would have made it harder to manage finances during this period.

I've considered the information he has sent us about his crypto investments. From the statement available I can see that there were payments made into the crypto account during the period that the TSB should have been left open. From what I've seen the crypto account wasn't liquidated until May 2022, which is considerably after it would have been reasonable for TSB to close his account. He would always have had to find a new account provider by then. I can't see that TSB's early closure of his account subsequently led to any of his crypto losses.

Mr H has said he found it difficult to get accounts elsewhere, particularly one that would allow him to deposit cash. The bank haven't recorded a marker with the fraud prevention agencies. Mr H's credit file shows the account as settled, with no outstanding balance. This is factually accurate, and generally wouldn't be seen as a negative. If Mr H couldn't get a facility where he could deposit cash, I'm not persuaded this is down to the actions of TSB.

Customer service and compensation

TSB have accepted that Mr H likely had difficulty getting in touch with them to discuss his account and will have spent a long time on hold. They've already offered £30 for this. I've also considered that this whole situation began with the attempted purchase of the watch – when TSB gave him incorrect advice on what to do to get the payment authenticated.

Mr H has also commented on how stressful this situation has been; and has detailed the impact on his mental health and personal relationships. I broadly accept this has been a difficult time for Mr H. But I also have to focus on the impact of the actions of TSB that I consider to be unfair – such as the early closure of his account. I see that the service he's received from TSB has been poor, and they have delayed the return of funds to him unnecessarily. But I'm also minded that the £250 they've now offered, in addition to the previous £30, is a reasonable reflection of the distress and inconvenience caused.

Putting things right

To put things right, TSB must:

- Refund the remaining funds held, if they have not already done so.
- Add 8% simple interest per annum to that amount – from the 19 August 2021 when the review was completed, until the date the funds were made available to Mr H
- Pay Mr H £250 compensation for the delays and poor service, in addition to the £30 already offered
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My final decision

My final decision is that I uphold this complaint and direct TSB Bank Plc to settle the complaint as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 August 2023.

Thom Bennett
Ombudsman