

The complaint

C, a limited company complains that ClearBank Limited (trading as Tide) (Tide) unfairly blocked and closed its account. C also says Tide delayed releasing its closing balance.

C is represented by its director, Mrs C.

What happened

C had an account with Tide, which was opened in 2022.

In August 2022, Tide decided to review C's account and asked Mrs C to provide information about the nature of C's business, how it operated and how used its Tide account. Tide also asked Mrs C to provide invoices/receipts/proof of delivery for certain transactions. Tide blocked C's account whilst it completed its review. At the time, the balance of C's account was just over £1,300.

In response, Mrs C provided some information and explained how C's business operated. Following this, in September 2022, Tide decided to close C's account immediately and on 19 September 2022, moved C's balance into a sundry account.

Tide asked Mrs C to provide details of an account so that it could release C's balance. And to send it a copy of a bank statement dated within the last three months in her name to verify that she was the account holder. Mrs C responded the same day and sent a photograph of a statement for a bank account she held with another bank. And provided details of the account via Tide's in app chat.

Tide confirmed it had received everything from Mrs C. But it didn't release C's balance. So, Mrs C complained to Tide and said that because she hadn't been able to use her Tide account and access the funds in it, she was unable to run her business and had to take out loans to pay suppliers and repay loans. In response, Tide said it hadn't done anything wrong and had closed C's account in line with the terms and conditions of the account. It also said it had released C's closing balance on 19 September 2022.

Unhappy with this response Mrs C brought C's complaint to our service. She explained that she hadn't received any money from Tide and that C's business has been sabotaged by Tide's actions.

One of our investigators looked into C's complaint. The investigator asked Mrs C and Tide more questions about what had happened. Mrs C explained that she was happy to provide any information, Tide wanted but she said it hadn't asked her for very detailed information such as C's business plan. She also said that Tide hadn't said that there were any problems with the information she had provided, and she was still waiting to receive C's closing balance.

The investigator relayed what Mrs C had said to Tide about C and queried why it hadn't yet released C's closing balance. In response, Tide provided some more information but maintained that it hadn't done anything wrong when it closed C's account without notice.

Tide also said that it hadn't released C's balance because Mrs C hadn't provided a bank statement in an acceptable format.

The investigator went back to Mrs C and obtained another bank statement from her in an attempt to get C's funds released. Mrs C provided a statement which the investigator sent to Tide. Following this Tide returned C's account balance to Mrs C on 5 April 2023.

The investigator looked at the information Tide provided about why it had closed C's account without notice. She didn't think Tide had treated C fairly and thought Tide should have given C more notice when it closed its account. So, she asked Tide to pay C £150 compensation for the inconvenience caused by closing its account without notice. She also thought Tide had taken too long to release C's balance and said that it should also pay C 8% interest on C's closing balance for loss of use of the funds

Tide accepted the investigator's view. Mrs C disagreed. She said that the amount of compensation recommended by the investigator isn't enough. She said she was put under a great deal of stress due to Tide blocking and closing C's account. She said she has two young children who need extra support due to health issues, and not having access to the funds in Tide's account made life difficult. She also said that C missed out on business and its reputations with suppliers and customers were sabotaged.

As no agreement could be reached the matter has come 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.

As the investigator has already explained, Tide has extensive legal and regulatory responsibilities they must meet when providing account services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. Having reviewed all the evidence I'm satisfied that Tide were acting in line with its legal and regulatory obligations when it restricted C's account in August 2022 and asked Mrs C to provide information.

I understand not having access to C's account caused C inconvenience, but it wouldn't be appropriate for me to award C compensation since I don't believe Tide acted inappropriately in taking the actions that it did when it blocked and reviewed C's account.

I next turn to Tide's decision to close C's account. Tide can close accounts in certain circumstances, and it sets this out in the terms and conditions of accounts. I've looked at the terms relating to C's account, and they state the bank can close an account immediately – or give notice of around two months. In this case, Tide closed C's account immediately.

Having reviewed all the information Tide has provided, I would expect to see stronger evidence than Tide has provided about why it closed C's account immediately. I say this because it seems Tide has relied on the information Mrs C provided which at the time was quite limited. Since Mrs C has brought her complaint to our service, she has provided a much more detailed picture about how she operated C's Tide account, details of transactions supported by documentation and a full business plan for C. All of which, I'm satisfied Mrs C would have been provided by Mrs C at the time to Tide – if Tide had simply asked. But it didn't do so. I note too that Mrs C volunteered to provide more information, but Tide told her it didn't need to see anything more.

I've also looked at C's account activity – albeit limited but there's no evidence to suggest C dishonestly procured the funds going through the account. Tide has argued had it done this it could have breached proceeds of crime legislation, but I don't agree. Asking a customer to explain or evidence their entitlement to funds doesn't require a business to disclose information that they hold or are aware of. Taking all of this into account, I have seen nothing that convinces me an immediate closure was warranted or permitted under the terms and conditions. Having looked at what's happened here, I'm not satisfied that Tide had grounds to close C's account without notice. I think Tide should have given C more notice that it intended to close its account.

Looking at the impact the immediate closure had on C, I agree with the investigator and think Tide should pay £150 compensation for the inconvenience caused. I know Mrs C is seeking substantially more compensation – around £30,000 overall. However, I've not seen any evidence that C lost out on business, profits, couldn't pay for supplies and that there was any impact to its reputation as Mrs C has suggested. I note too that the investigator asked Mrs C to provide details of C's profits and loss prior to C's Tide account being closed, to help assess the impact the closure of the account had on C, but she's not provided anything. So, it wouldn't be appropriate for me to award compensation for something there is no evidence of.

When reaching this award, I've also noted that Mrs C had another business account for C, with a different bank. Mrs C has sent this service statements for this account. Having looked at these bank account statements I can see that it appears Mrs C was operating her business during the time C's Tide's account was blocked and after it had been closed. I say this because I can see payments relating to C's business coming in and out of the account. So, I think the overall impact of the immediate closure of C's Tide account would have been reduced.

I know Mrs C has also said she suffered distress and upset, in particular that the closure impacted her ability to provide for her children, when Tide closed C's account. I'm certainly not disputing that directors' can be distressed. But I have no power to award compensation for this where the entity entitled to bring the complaint, as in this case, is the company.

Finally, Mrs C says Tide took too long to release C's closing balance. Having looked at the all the evidence, I agree. I say this because when Tide closed C's account on 9 September 2022, it asked her to provide bank details including a bank statement dated within the last three months so that it could return C's account balance. Mrs C provided a photograph of her bank statement to Tide. But this wasn't in an acceptable format. However, I can't see that Tide told Mrs C what format the statement needed to be in when she sent it in. I also can't see that Tide told Mrs C that the statement wasn't acceptable. In fact, it told Mrs C it didn't need anything else from her – which was misleading.

I note too that Tide incorrectly told Mrs C that it had returned C's balance to her on 19 September 2022 when it responded to her complaint. This meant Mrs C spent time looking for the funds. So, I'm not satisfied that Tide released C's balance in a timely manner and caused undue delays. As I'm satisfied that C was deprived of its funds for longer than necessary, Tide should also pay C 8% interest on these funds from 19 September 2022 until the date the funds were released to Mrs C.

Mrs C has suggested adding 8% simple interest to the balance on a daily basis. But this interest is not supposed to simply reflect lost interest or investment chances – and in any case Mrs C has not provided us with any specific lost investment opportunities.

In this case Mrs C has been deprived of these funds for a considerable period of time – money that she should have had available to her to use as C wanted. Because of the length of time, I can't say for sure what the specific cost of not having these funds available would be. It will have influenced a whole host of decisions about spending and borrowing over that time. To attempt to rework or reconsider C's financial decisions over the period it was without these funds would be incredibly arduous, and not within the remit of our service to resolve complaints quickly and with the minimum of formality.

With that in mind I'm satisfied awarding 8% simple interest on the amount for the period it wasn't available to C is appropriate. It is a reflection of the cost of being deprived these funds. It's also in line with the statutory interest rate on judgement debts.

In summary, based on all the evidence I've seen, I think Tide should pay C £150 compensation for unfairly closing C's account without notice. It should also pay C 8% interest on C's closing balance for the time taken to release the balance held in C's account back to Mrs C.

My final decision

My final decision is that I partly uphold C's complaint. To put things right ClearBank Limited (trading as Tide) should:

- Pay C £150 compensation for the inconvenience caused by closing C's account immediately
- Pay 8% per year simple interest on the balance of C's account from 19 September 2022 until the funds were released back to Mrs C
- Pay the compensation within 28 days of the date on which we tell it C accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

If ClearBank Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell C how much it's taken off. It should also give Mrs C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 3 May 2024.

Sharon Kerrison
Ombudsman