

The complaint

Mr C complains Citibank UK Limited ("Citibank") blocked and closed his accounts without notice nor explanation following a review.

To put things right, Mr C wants an explanation for Citibank's actions. He wants his accounts re-opened, compensation for financial losses, distress, and inconvenience he's suffered.

What happened

In September 2021, Citibank contacted Mr C for information about his account activities as part of its Knowing Your Customer ("KYC") review. Mr C answered some of the questions, but he refused to answer questions related to his source of income and asset holdings.

Mr C didn't think these questions were relevant and the information was confidential. Mr C questioned the basis and relevance of these questions given he had been a long-standing customer for around 40 years. Mr C reiterated that he wanted an explanation and Citibank should explicitly ask him about any payments they may have concerns about.

In October 2021, Mr C's accounts were blocked by Citibank. And it told Mr C he would need to provide the missing information as part of its pending KYC review before it could consider unrestricting them.

Later, in December 2021, Citibank wrote to Mr C and said it had decided to close his accounts with immediate effect. Mr C was sent banker's drafts for the different currency balances he held.

Unhappy, Mr C complained. Citibank didn't uphold the complaint. In short, Citibank said it had acted in line with its policies and procedures – and it has an obligation to carry out reviews on accounts to ensure it complies with the regulator's - the Financial Conduct Authority ("FCA") - guidelines on KYC.

Mr C referred his complaint to this service. One of our Investigator's looked into his complaint, and they upheld it in part. In summary, they found:

- Citibank should pay £100 for the distress and inconvenience it caused for unduly delaying its processes between the account being blocked and informing Mr C of the closures
- Citibank has regulatory and legal obligations to adhere to and it does not need to give Mr C a reason for the review. Citibank blocked Mr C's account because he didn't answer its KYC questions to its satisfaction
- Because Mr C wouldn't provide answers, Citibank ultimately decided to close his accounts. Citibank haven't acted unfairly or outside the terms and conditions of the accounts by doing so
- Citibank caused around a two-month delay. As Mr C didn't cash in his drafts, the delay didn't impact on when he received the funds – only a delay in resolution

Both Mr C and Citibank didn't agree with our Investigator's recommendations. Citibank said it didn't cause undue delay and it provided correspondence sent to Mr C in which it said without the information required for the KYC review, the accounts will be blocked.

Our Investigator altered their opinion based on this. They said Citibank had given sufficient warning of the consequences of not responding to its KYC questions. And the terms and conditions of the accounts confirm Citibank can close an account if information isn't provided. But as Citibank hasn't given an adequate explanation for the two-month delay from Mr C's refusal to give information until its decision to close the accounts, the uphold still stands.

Mr C made several points in response. Some of the key one's are:

- The hesitation in dealing with the drafts was because he thought the complaint would've been considered much sooner by this service. Mr C was hoping this service would say the accounts need to be re-opened, and thereby not incurring any charges on the drafts being deposited into another bank's account
- He did provide answers to all of Citibank's KYC questions other than those he found inappropriate. Given his long-standing relationship, irrelevant questions were not justified. So Citibank's reaction was disproportionate and unfair
- Citibank never said it would close his accounts if he didn't fully answer all its questions
- Citibank's actions are not in line with the FCA's treating customers fairly principles
- He had given Citibank the opportunity to ask him directly about funds that come into his Euro account in June 2021 as they may have caused it concern. But it did not
- Given recent media focus on banks' de-banking customers, Mr C should be given an explanation for Citibank's actions and review the fairness of it asking him irrelevant questions simply by quoting KYC guidelines. Citibank should apologise and reinstate his accounts

Some of the key points Citibank made in response are:

- On multiple occasions, and through multiple channels, Citibank told Mr C restrictions would be applied to his account if he didn't comply with its KYC review
- Citibank didn't respond to Mr C's email dated 5 October 2021 as it was sent directly to a case handler who was no longer working for it. So it was unable to retrieve the email exchange. But the case handler did tell Mr C he could unblock his accounts by calling the relevant department
- The delays were required for Citibank to properly carry out its processes and evaluation

As both parties have not agreed with what our Investigator said, this complaint has now 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.

Having done so, I've decided to uphold this complaint in part. I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. 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. I do stress however that I've considered everything Mr C and Citibank have said before reaching my decision. It's important to note, my decision focuses on Citibank's actions regarding Mr C's accounts.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Citibank has provided is information we consider should be kept confidential.

It's worth noting banks, as regulated businesses, must comply with extensive legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. And that sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

These obligations generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes Know Your Customer (KYC) checks and/or Customer Due Diligence (CDD). It's worth noting these checks include not just the verification of a customer's identity, but also establishing the purpose and intended nature of the business relationship and origin of funds.

I've seen communication between Mr C and Citibank. I note Citibank sent Mr C a detailed explanation as to why it needs to carry out the KYC exercise. This included, that it has to meet strict regulatory requirements, help it better combat fraud, and help it understand its customers wealth profiles and financial dealings.

So, given what I've said about what the KYC checks are there to verify, I'm satisfied Citibank did nothing improper when reviewing Mr C's accounts. I've also seen that Mr C refused to answer two questions as he found them inappropriate, irrelevant and overly intrusive.

Though I can appreciate Mr C's perspective and rational for 'protesting' by not complying, I don't think Citibank did anything wrong by persisting he needs to provide this information. After all, they related to his source of income and asset holdings. And these, as I've already said, are key factors in establishing the purpose and intended business relationship, and origin of funds.

So, as Mr C didn't provide this information - and as I think Citibank made reasonable efforts to allow him to do so – I find that restricting the accounts was fair, and in line with the obligations imposed upon Citibank.

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

The terms and conditions of the account, which Citibank and Mr C had to comply with, say that it could close the account by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Having looked at the information given to me by Citibank, I'm persuaded it was entitled to close the account in the way that it has done. I do however think this point is finely balanced. Because on one hand Citibank never explained this could be a consequence of not complying with its request for information. But given Mr C was not providing information Citibank is required to ask of him, by keeping the relationship open it was at risk of failing its legal and regulatory obligations. I've already said that I'm satisfied Citibank gave Mr C reasonable opportunity to do so.

Mr C says he was a long-standing customer and so Citibank shouldn't need this information. But the obligations Citibank must adhere to say it has to monitor accounts, and what it knows about its customers, on an ongoing basis. After all, people's circumstances change over time. So I don't think Citibank were being unreasonable here.

Mr C says he wants a better explanation and has suggested the review was instigated based on activity on his accounts from June 2021. I'm not aware of any obligation under which Citibank must disclose its reasons for reviewing and closing the accounts. And, as I've said, Citibank explained in detail why it was carrying out a KYC review.

Mr C also says that recent media attention around banks closing accounts has to be taken into account here, and Citibank isn't treating him properly under the FCA's treating customer fairly principles. When deciding this complaint I must consider all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. This will include all relevant rules and regulations and any codes of conduct. And that is what I have done here. KYC and CDD checks fall under the FCA's rules which regulated businesses like Citibank must follow.

Citibank say it didn't cause any undue delay given its internal processes, and it didn't respond to Mr C's email because the individual it was sent to had left its employment. I would expect Citibank to have measures in place to still be able to receive and handle its correspondence in these circumstances. But even if I were to put that aside, I'm persuaded there were delays between the restrictions being placed up until the decision to close the accounts.

This period was around two months and having closely reviewed what Citibank says it was doing this period, I think it took longer than I'd expect. So I find it has caused avoidable delay here.

Restricting and closing a customer's accounts are impactful actions. I note Mr C had other accounts, but from what he's said I do think the matter caused him some distress and inconvenience. So I'm satisfied £100 compensation is fair redress.

Mr C has said he lost out financially as he didn't have access to these funds. But I note he decided to not deposit these cheques in the hope that the account would be reinstated. That was his choice. So I can't say he was unfairly deprived of them when the drafts for the balances were sent to him immediately after Citibank closed the accounts.

I also haven't seen compelling evidence Mr C was going to use the funds from October 2021 until they were released to him. Nor can I say with any probability whether they would have been released to him sooner.

It's possible that had Citibank acted in a timely manner, the decision to close the accounts

may have been made two to three weeks sooner. But in that scenario, I think when he did receive the bankers drafts it would have still been in reasonable time from that point. So I don't award 8% simple interest for any deprivation of funds here.

Lastly, given I don't think Citibank did anything wrong when closing Mr C's accounts, I'm satisfied it doesn't have to reinstate them.

My final decision

For the reasons above, I uphold this complaint in part. Citibank UK Limited must now pay Mr C £100 for the distress and inconvenience it's caused him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 November 2023.

Ketan Nagla

Ombudsman