

The complaint

Mr and Mrs B have complained that Northern Bank Limited trading as Danske Bank ("Danske Bank") closed their bank account.

What happened

Mr and Mrs B received a letter from Danske Bank dated 28 November 2022 which explained that it had identified that they were using their account for business transactions. Danske Bank explained that they can't use their personal account for business transactions and said that they would need to apply for a separate business account, or it would close their personal account.

Mr and Mrs B applied for a business account, but their application was unfortunately declined on 16 March 2023. On the 29 March 2023, Danske Bank wrote to Mr and Mrs B to say that it would be closing their bank account on 30 May 2023. The account was eventually closed on 16 June 2023.

Following Mr and Mrs B's complaint, Danske Bank issued a final response letter and acknowledged that Mr and Mrs B's application for a business account had been declined. As such, it said that it closed their personal account after it had been identified that it had been used for business transactions – which was not allowed under the terms and conditions of the account. Mr and Mrs B say they didn't receive this final response letter, so were unaware of its contents until after they referred their complaint to this service.

Unhappy with Danske Bank's handling of the matter, Mr and Mrs B referred their complaint to this service. Mr and Mrs B's concerns about the decision not to let them have a business account have been considered under separate complaints with this service. This complaint only concerns the closure of the personal account.

One of our investigators assessed the complaint and they concluded that Danske Bank didn't do anything wrong or act unfairly or unreasonably in deciding to close Mr and Mrs B's personal account.

As Mr and Mrs B were unhappy with the investigator's assessment, the matter was referred for an ombudsman's decision.

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 reviewed everything, I don't think that Danske Bank acted unfairly or unreasonably. I will explain why.

I can see that Mr and Mrs B were using their current account for business transactions (being self-employed). So in the circumstances, I can appreciate why it was important to Mr and Mrs B that they were able to keep their account running, and why they are so upset that Danske Bank decided to close their account.

However, Danske Bank says that the terms and conditions say that the account in question can only be used for personal use - but not business use. I have checked and Part 3 S.1.4 of

the terms and conditions says that the account can only be used for 'Personal Purposes'. Therefore, I can't reasonably say that Danske Bank was being unfair or unreasonable when it wrote to Mr and Mrs B in November 2022 to say that they should stop using the account for business use, and explained that if they didn't, it may close the account.

Following Mr and Mrs B's application for a business account being declined on 16 March 2023, Danske Bank wrote to Mr and Mrs B on 29 March 2023 to say that it had decided to close their account and said that it would close on 30 May 2023.

Banks are entitled to decide for themselves whether to do business or continue doing business with a customer. Each financial institution has its own criteria and risk assessment system in place for deciding whether to continue providing accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. That's because it has the commercial freedom to decide who it wants as a customer. And unless there's a good reason to do so, this service won't usually say that a bank must keep a customer. But they shouldn't close an account without proper reason, for instance because of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

In this case, it's clear that Danske Bank closed Mr and Mrs B's account because they continued to use the account for business purposes – which was in breach of the account terms and conditions. I have looked at the statements and supporting documentation from Danske Bank. From what I can see, the transactions on the account around the time Danske Bank informed Mr and Mrs B that it would close their account, included transactions related to their self-employment e.g. payments to suppliers etc. Therefore, I think that Danske Bank had reasonable grounds in which to decide to close Mr and Mrs B's account.

Mr and Mrs B's application for a business account had been declined on 16 March 2023 and the decision to close their account was made on 29 March 2023 – with it due to close on 30 May 2023. I appreciate that this did not give Mr and Mrs B much time in which to open a business account with another bank.

Mr and Mrs B have said that they were in the process of applying for a business account elsewhere at the time and say that the account they applied for with another provider opened on 20 June 2023. So in the circumstances, I don't think the lack of time given to Mr and Mrs B to make alternative banking arrangements makes a material difference in this case. Ultimately, I think that even if Danske Bank had delayed its decision to close their account by a couple more weeks, based on what did happen, it seems likely that Mr and Mrs B's account would've been closed before they were able to open a new account elsewhere.

As such, I can't say that Danske Bank's decision to close the account at the end of March 2023 was particularly unreasonable. This is because ultimately, it was still being used for business purposes, and Mr and Mrs B had been warned in November 2022, that if it continued to be used for business purposes, it may be closed.

When Danske Bank decided to close Mr and Mrs B's account, it gave them two months' notice i.e. until 30 May 2023, before the account was due to be closed. The decision to provide two months' notice appears to be in accordance with what the terms and conditions say in the event that Danske Bank decides to close an account. However, I note that Danske Bank later agreed to delay the closure of the account until 16 June 2023, to allow payments that Mr and Mrs B were expecting to be received.

In the circumstances, I think this was reasonable. I say this especially as it gave Mr and Mrs B some more time to make alternative banking arrangements elsewhere, before the account was closed – thereby reducing the unavoidable inconvenience that results from closing an account.

Overall, I appreciate why Mr and Mrs B are upset that their account was closed. I recognise that having to open an account(s) with another bank and having to set up existing payments on a new account is inconvenient. But given what I have seen, I'm unable to say that Danske Bank has acted unfairly or unreasonably in this matter.

My final decision

Because of the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B and Mrs B to accept or reject my decision before 4 March 2024.

Thomas White
Ombudsman