

## **The complaint**

M, a limited liability partnership complains that TSB Bank plc asked it to provide information about activity on its account and blocked its account when it didn't provide the information.

M is also unhappy about the customer service it received throughout the process.

M's complaint has been brought to our service by its director, Mr W.

## **What happened**

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

For this complaint M has appointed representatives, but for ease of reading I'll only refer to Mr W throughout this decision.

M had a business account with TSB.

The directors of M also operate another business which I will refer to as T.

Mr W has explained that in March 2023, T loaned M around £20,000 to help get its business started. Following this TSB decided to review M's account as part of its Know Your Customer (KYC) process in order to comply with its legal and regulatory obligations.

On 8 March 2023, TSB called Mr W and asked him to provide specific information about M's business and evidence of the source of funds M had received from T – namely T's full bank statements. Believing this to be a scam Mr W pushed back on the request. The advisor then offered to send Mr W a text message to confirm that the call was genuinely being made from the bank however, before the call could progress much further, due to a technical issue at TSB's end the call disconnected.

Over the following days Mr W called TSB trying to find out what information he needed to provide and why. TSB told Mr W that it needed to see 's bank statements. On 29 March 2023, Mr W provided TSB with some information which showed the money paid into Ms account had come from his other business T. He also provided TSB with an explanation why M had received the money but said he wasn't willing to provide T's bank statements. And didn't think TSB had any legitimate right to ask for such information especially as T doesn't bank with TSB.

TSB reviewed the information Mr W had provided and decided that it was insufficient, so it blocked M's account. At the time, M's account balance was just over £25,000.

TSB wrote to Mr W and told him that until it had received, the information it had requested it wasn't prepared to remove the blocks on M's account. Unhappy with this, Mr W made several calls to TSB and wrote to the bank trying to find out how long it would take for the account review to be completed and when the block on the account would be removed. In an

effort to resolve matters, on 11 May 2023, Mr W also asked TSB to close M's account. However, TSB said this couldn't be actioned until it had completed its review. But Mr W maintained that he wasn't happy to provide the information.

Following this on 19 May 2023, TSB decided to close M's account. TSB wrote to Mr W providing 60 days notice that M would need to make alternative banking arrangements. TSB removed the blocks from M's account on 7 June 2023. Mr W removed the funds in the account on 13 June 2023.

Mr W complained to TSB. He said TSB had obstructed M from operating for two and half months because it had blocked its account. He also said the service he'd received from the bank had been unhelpful, lacked common sense and that TSB had failed to supply any legal basis for requesting the information it had asked him to provide.

In response, TSB said it hadn't done anything wrong when it had requested Mr W to provide information and blocked M's account. However, it accepted that at times its service had fallen short, in particular that it hadn't responded to Mr W when he'd let them know he hadn't been able to open an email the bank sent him on 19 May 2023. TSB apologised for letting him down and sent Mr W a cheque for £40 for any distress and inconvenience this had caused him.

Unhappy with this response, Mr W brought M's complaint to our service where one of our investigators looked into what had happened. The investigator asked TSB to provide more information including about why it had taken so long to complete its review of M's account.

After looking at all the evidence, the investigator said that TSB hadn't done anything wrong when it had blocked M's account and asked Mr W for information. He was satisfied that TSB were complying with its legal and regulatory obligations when it did so. However, he said TSB should have completed its review sooner. Based on a timeline of events he said the review should have been completed by 25 April 2023. So, he said TSB should pay M £100 compensation for the inconvenience caused by blocking M's funds longer than necessary along with 8% interest on M's account balance for loss of use of the funds.

TSB agreed. Mr W didn't. He said that he understands TSB have an obligation to request information from its customers, but he is unhappy about the manner in which TSB conducted itself. He has said that following an unsolicited cold call from an unverified number TSB should have attempted to reach out to M, instead of blocking its account. Overall, he said TSB have been obstructive and ignored numerous attempts from him to resolve things. So, he says TSB should pay £1,500 compensation for blocking M's account and the amount of time he had to spend trying to sort things out with the bank.

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.

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 focused 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.

As the investigator has already explained, TSB has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to protect people from financial harm and to detect and prevent financial crime

In order to comply with its legal and regulatory obligations TSB are required to have suitable systems in place to establish customer identification, the purpose and intended nature of a business as well as the origin of funds. To satisfy these requirements TSB are obliged to adhere to the regulator – the Financial Conduct Authority's (FCA), Know Your Customer (KYC) responsibilities. It is a legal requirement that TSB maintains updated information about their customers business and financial circumstances.

From time to time TSB will review accounts to comply with these responsibilities. That may lead to TSB asking a customer about how they use their account at any time. By collecting and maintaining key pieces of information, TSB can protect its customers against money laundering and abide by the restrictions placed on the bank.

On occasion, TSB may also ask a customer to provide it with Proof of Entitlement (POE) for payments made to and from their account – which is what happened here when TSB asked Mr W to explain payments M received into its business account from T. From looking at M's account activity and the information TSB has provided I don't think this was unreasonable. I say this because although M received faster payments into the account from T, there wasn't really much business activity, with the majority of the funds being sent to Mr W's personal account. So, I can understand why TSB had concerns and wanted to know more about how the account was being run.

Having looked at all the evidence, I've considered the basis for TSB's review, which I find was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied TSB acted fairly and reasonably when it completed its KYC process and asked Mr W to provide information about M's source of funds.

Mr W has said TSB went too far in asking him to provide T's bank account statements as part of its KYC process – he says this breached data protection legislation and T isn't even a customer of TSB. He says the information TSB wanted was also available on companies' house. The information TSB was asking Mr W to provide is fairly standard information that banks, and other financial businesses are required to have in order to adhere to KYC responsibilities. It's not in my remit to determine what questions TSB should ask its customers to ensure it adheres to its these responsibilities. There's no fixed set of questions or period between each customer update request, and they are usually done to reflect the changes in the economy, technology or tactics employed by criminals to commit financial crime.

TSB is required to have up to date information about its account holders including details on source of funds, in order to comply with its legal and regulatory obligations. So, whilst I can appreciate Mr W's point of view about the necessity of the information TSB requested, I can't reasonably say that TSB was acting unfairly or unreasonably in asking Mr W for the information that it did.

Mr W has said that when he first spoke to TSB about its review, the call handler hung up on him. I've not seen any evidence that the call handler deliberately disconnected the call. TSB has explained that the call handler had some technical issues during the call which meant

the call was disconnected and they were unable to call Mr W back. I can appreciate Mr W was suspicious that the call was genuine especially as the call was made from an unverified number and Mr W wasn't expecting the bank to call him. However, whilst I can understand Mr W's concerns, I can see from the call notes that TSB did offer to text Mr W to allay any concerns he may have had about whether he was actually speaking to TSB or a fraudster, but Mr W declined.

TSB has also apologised for any upset and inconvenience this call caused Mr W. I think this is a fair and reasonable way to resolve this aspect of Mr W's complaint, so I won't be asking TSB to do anything more. In reaching this conclusion, I've kept in mind that the call handler updated Mr W's record about their conversation, so that if Mr W called back, all the information was to hand and he wouldn't have to repeat himself, which I think is reasonable.

Mr W says TSB didn't call him back and instead went ahead and blocked M's account without notice, which he says could have been avoided. I can see that following the first call being disconnected further calls and emails took place between Mr W and TSB, which included TSB asking him to provide information relating to the money M had received from T and Mr W sending TSB extracts of T's bank account on 29 March 2023. In response, TSB told Mr W that the information he provided wasn't sufficient and it needed to see where the money had come from. But Mr W wasn't happy to provide the information TSB wanted as he thought it was intrusive. So, TSB blocked M's account.

Mr W says TSB shouldn't have blocked M's account. But TSB has provided evidence to show that it asked Mr W to provide proof of his entitlement to the funds M received from T on more than one occasion. I can also see that TSB told Mr W why it wanted the information. And when it became clear that it was not going to receive that information, TSB then wrote to Mr W and explained the consequences, which was that M's account had been suspended.

Due to Mr W being unwilling to provide the necessary information, I can't say that TSB was being unreasonable by freezing M's account. I say this because firstly, TSB had reasonable grounds in which to ask for the information that it had requested from Mr W – to comply with its legal and regulatory obligations. To unfreeze the account, TSB made it clear that Mr W needed to provide the requested information.

As I've said above TSB are obliged under regulation to carry out ongoing KYC checks to protect accounts from identify theft, fraud, and financial crime. So, if they don't receive the necessary information that they request to allay those risks, I do not consider suspending M's account is a disproportionate measure for TSB to take. Because of this, although M no doubt experienced inconvenience, I can't say that TSB did anything wrong. And so, I don't think it would be appropriate to award compensation for this aspect of M's complaint.

However, while TSB are entitled to carry out a review, we'd expect them to do so in a timely manner and release a customers' funds without undue delay. TSB initially blocked M's account on 28 March 2023 and asked Mr W to provide it with information. Mr W provided some information which TSB reviewed. I can also see that the bank made other enquiries to complete its KYC obligations.

Following this, M's account remained blocked until 7 June 2023. If a bank or financial business don't receive the necessary information, which is what happened here, I do not consider continuing to block M's account is a disproportionate measure for TSB to take. However, from looking at the timeline of events, I can see that TSB should have unblocked M's account sooner than it did – TSB could have completed its enquiries by 25 April 2023. TSB hasn't explained why it didn't unblock M's funds on this date. So, I'm satisfied TSB has caused unnecessary delays in releasing M's funds. Because of this I think TSB should pay

M 8% simple interest on the sum of its account for loss of use of funds between 25 April 2023 and 7 June 2023.

TSB has accepted it too long to complete its review and unblock M's account and has agreed to pay £100 compensation for any trouble this caused M together with interest for loss of use of the funds in the account from 25 April 2023 until 7 June 2023. Mr W wants more compensation.

Looking at the impact the block had on M, I agree with the investigator and think TSB should pay £100 compensation for the inconvenience caused. I know Mr W is seeking substantially more compensation – around £1,500 overall. However, I've not seen any evidence that M lost out on business, profits, and couldn't progress with projects as Mr W has suggested. So, it wouldn't be appropriate for me to award compensation for something there is no evidence of.

I know Mr W has also said he suffered distress and upset when TSB blocked M'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.

In summary, based on all the evidence I've seen, I think TSB should pay M £100 compensation for taking too long to review M's account. It should also pay M 8% interest on M's closing balance during the dates set below for loss of use of the funds in M's account

### **My final decision**

For the reasons I've explained my final decision is that I partly uphold this complaint. To put things right TSB Bank plc should

- Pay M £100 compensation for the inconvenience caused by taking too long to complete its account review
- Pay 8% per year simple interest on the balance of M's account from 25 April 2023 until the funds were released back to Mr W
- Pay the compensation within 28 days of the date on which we tell it M 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 TSB Bank plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell M how much it's taken off. It should also give Mr W a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask M and M to accept or reject my decision before 27 May 2024.

Sharon Kerrison  
**Ombudsman**