

The complaint

Miss D complains ClearBank Limited, trading as Tide, blocked and closed her business account and returned the funds in them to source.

To keep things simple, I'll mainly refer to Tide in my decision. Miss D says Tide's actions have caused her financial loss, and substantive distress and inconvenience.

What happened

The details of this complaint are well known by both parties, so I won't repeat them again here in detail. Instead, I'll focus on setting out some of the key facts and on giving my reasons for my decision.

In July 2023, Tide notified Miss D it had decided to restrict her account whilst it carried out a review. Miss D was informed this would likely take 30 days to complete. Miss D chased Tide for regular updates.

In September 2023, Tide notified Miss D it had decided to close her account and asked for her bank details to return the remaining funds. Miss D provided this shortly afterwards. However, in early October 2023, Tide informed Miss D that the remaining funds would now be returned due to a banking recall.

Unhappy with this, Miss D complained. Tide upheld Miss D's complaint in part. In summary, the key points it made were:

- The account was closed in line with its terms and conditions
- Tide doesn't need to explain why it reviewed and closed Miss D's account
- Tide was obligated to send the funds as part of a banking recall
- Tide hasn't handled this matter well. There were delays with its communications and the review should've finished much sooner in September 2023. It should also have informed Miss D sooner that it was returning the funds. Because of this it offered Miss D £150 compensation for any inconvenience she suffered

Miss D referred her complaint to this service. She also complained about Tide applying a fraud marker against her but subsequently she has obtained a report from CIFAS which showed this wasn't the case.

One of our Investigator's looked into Miss D's complaint. They recommended it wasn't upheld. In summary they said Tide had blocked the account fairly and closed it in line with the terms of the account. They added that the funds were returned fairly, and the compensation offered by Tide for the errors it acknowledged was fair.

Miss D didn't agree with what our Investigator said. She strongly feels Tide has acted illegitimately by returning her funds which has caused her substantive financial loss and distress.

As there is no agreement, this complaint 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.

Having done so, I have decided not to uphold this complaint. I'll explain why.

Banks in the UK, like Tide, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Tide has given me information to show why it restricted and reviewed Miss D's account. Having carefully considered this, I'm satisfied it did so in line with its obligations.

Tide is entitled to close an account just as a customer may close an account with it. But before Tide 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 Tide and Miss D had to comply with, say that it could close the account by giving her at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

From what I've seen, it appears Tide closed Miss D's account with immediate effect after it had restricted it for some time. Tide has equally explained and provided information as to why it decided to close Miss D's account in this way. Having reviewed this, I'm satisfied it acted in line with the terms of the account and did so fairly.

It's understandable why Miss D would like a detailed explanation, but Tide is under no obligation to do so.

This brings me to the crux of Miss D's complaint. That is, that the remaining funds were returned to a source account following a recall request from a third-party bank. Tide has explained why it carried out this action. It has also explained that the funds were returned to a bank who had made a recall request on behalf of one of its customers.

Those funds were returned to the bank for the individual Miss D says is her mother. After carefully considering the information Tide has given me, I'm persuaded it hasn't done anything wrong in returning the remaining funds. I'd also expect Miss D to be able to get the funds from her mother especially as they were given to her to help pay her rent.

Tide offered to pay Miss D £150 for its administrative and communication errors. I don't think it needs to do anymore.

Miss D says this matter has caused her financial loss, distress, and inconvenience. But having looked at what's happened in this particular case, I can see no basis on which I might make an award against Tide given that I don't think it's done anything wrong in restricting and closing her account. Nor do I think it's done anything wrong in returning funds to the sending bank.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 20 September 2024.

Ketan Nagla
Ombudsman