

## **The complaint**

F, a limited company, complains that Starling Bank Limited ('Starling') decided to close its business account in response to a fraud marker it says was inaccurate.

F's complaint has been brought to this service by its director Mr B. For simplicity I'll refer simply to Mr B as the account holder and complainant in this decision.

Mr B has also held other accounts with Starling. This decision is about Mr B's business account only.

Mr B wants Starling to reinstate the account.

## **What happened**

Mr B had a business current account provided by Starling.

In August 2023 Starling emailed Mr B saying it would close the account in 90 days' time. It said as part of its regular processes it had reviewed information about Mr B held by credit reference agencies and fraud prevention agencies. And it had found some information of concern.

Mr B complained to Starling. He said a third-party bank had recorded a fraud marker against him in error. He said the information was recorded in 2021 and was a result of his account being maliciously targeted and used for fraudulent activity without his knowledge.

Starling didn't uphold Mr B's complaint. In summary it said the closure of his account was in line with the account's terms and conditions. It said Starling's policy was not to elaborate on the reasons for closing an account. And it suggested Mr B contact the third-party bank about his concerns regarding the fraud marker.

Mr B asked Starling to postpone closing the account while he contested the fraud marker which he believed shouldn't have been placed against his name. I've seen that Starling twice agreed to postpone the closure by three months each time. As of January 2024, when Starling sent information to this service, the account wasn't yet closed.

Mr B referred his complaint to this service. In summary he said the fraud marker which caused Starling to decide to close the account was unfounded. He said this had a serious impact on his business and caused him substantial distress and inconvenience.

One of our Investigators looked into Mr B's complaint. She said Starling had acted in line with its terms and conditions when it closed the account. She said just as customers are entitled to choose who they bank with, banks are entitled to choose who they have as customers. And on this occasion, based on the evidence, the investigator was satisfied the bank's decision to close Mr B's account was fair. She suggested Mr B take up his concerns about the fraud marker with the third-party bank that recorded the marker.

Mr B asked for the complaint to be escalated. He didn't provide any comment or further evidence.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a 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 done so, I'm not upholding the complaint. I'll explain why.

Having reviewed all the evidence I'm satisfied Starling was acting in line with its legal and regulatory obligations when it reviewed information relating to Mr B's account in August 2023. And when, as a result of its review, Starling decided to close the account, I consider that was a fair and reasonable exercise of Starling's commercial discretion.

As a regulated provider of financial services Starling 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 know its customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm. Starling will review accounts to comply with these responsibilities. And I think that's reasonable.

Each financial institution has its own criteria and risk assessments for deciding whether to open or close accounts. And providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there is a very good reason to do so, this service won't usually say that a financial institution must keep a customer or require it to compensate a customer over the closure of an account.

Starling's terms and conditions say it may restrict, suspend or close an account immediately and without notifying the customer in certain circumstances. Or it may close an account by giving two months' written notice of closure. In Mr B's case Starling gave more than two months' notice and then granted at least two extensions of three months each. So, I think Starling not only acted in line with the terms and conditions but also took care not to cause Mr B undue inconvenience.

I understand Mr B disputes the basis of the fraud marker which the third-party bank placed against his name. But that's a matter he must pursue separately. I wouldn't expect Starling to investigate whether the fraud marker was loaded incorrectly or not. I would expect the bank that loaded the marker to ensure it's done so correctly. And Starling is entitled to rely on that expectation too. And it wouldn't necessarily have access to all the information it needed to make a judgement about the fraud marker in any case. So, even if Mr B disagreed with the validity of the marker, I'm satisfied Starling was entitled to make the decision it made on the basis of information available to it which included any marker placed by a third-party bank.

Overall, I can understand Mr B's frustration at having his business current account closed. But I can't say Starling acted unfairly or unreasonably in closing it. So, I won't be asking Starling to do anything.

### **My final decision**

For the reasons I've set out above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 26 August 2024.

Lucinda Puls  
**Ombudsman**