

The complaint

C complain Zempler Bank Limited, trading as Cashplus Bank (“Cashplus”), blocked and closed their account without notice nor explanation. C also complain Cashplus didn’t make it clear what it needed to release the funds to C causing undue delay and financial loss.

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.

Cashplus says it sent C a request to provide information in relation to its KYC (Know Your Customer) checks in June 2023. As Cashplus didn’t hear from C, it restricted their account access in July 2023. On 2 August 2023, Cashplus notified C it would be closing their account in 60 days’ time.

When C discovered their account had been blocked in this way, they contacted Cashplus who say it told them it had been waiting for KYC information. Cashplus sent C an email on 14 August 2023 to provide it with an external bank statement to transfer the remaining balance to. One of C’s directors sent a statement in their personal name.

Unhappy with Cashplus, C complained. Cashplus partly upheld C’s complaint. Some of the key points it made were:

- Cashplus is sorry for the delay in reviewing C’s directors statement sent on 14 August 2023. But unfortunately, it’s communication around needing a statement was incorrect. An external bank statement for an account held in C’s company name was what was required for the funds to be transferred
- C’s account was restricted to allow Cashplus to meet its legal and regulatory obligations. The 60 days’ notice to close was in line with the terms of the account
- Cashplus offered C £40 for any distress and inconvenience its actions caused

C referred their complaint to this service. C say they never got any of Cashplus’ communications and that it should pay them compensation for; the extra costs it incurred to run the business; the cost of its time in dealing with this matter; interest for being without the funds; and the distress they’ve suffered.

One of our Investigator looked into C’s complaint. They recommended it be upheld in part. Their key findings were:

- C is a business, so it can’t experience distress
- Cashplus is entitled to block accounts and request information. It’s also entitled to close accounts in line with its terms of account and doesn’t need to provide an explanation

- In June 2023, A KYC review was sent via email and online banking to C. SMS and email reminders were also sent. As the review wasn't completed, Cashplus blocked and closed C's account. A closure email was sent to C's registered email address on 2 August 2023. 60 days' notice was provided in line with the terms of the account
- The closure email didn't make it clear a bank statement for the funds to be released needed to be in C's name. C were only told this on 12 September 2023. Because of this, Cashplus caused a delay. Cashplus offered C £40 for this. But it should also pay C 8% simple interest on the balance from 2 August 2023 up until 27 September 2023

Cashplus agreed with what our Investigator said. But C didn't agree. They say the compensation awarded is less than what they think is fair. 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 to uphold this complaint in part. I'll explain why.

Banks in the UK 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.

These obligations generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes 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.

Cashplus has provided an explanation, and supporting evidence, which shows it asked C to provide information to it in June 2023 related to fulfilling its KYC checks. Cashplus has also shown that it chased this up with C through emails and phone calls based on the details it had for them. The telephone number and email address match with what we've been given by C.

As Cashplus didn't hear from C, it restricted their account in July 2023. Following further chasers, and as it still hadn't had a response, Cashplus notified C it would close their account if it continued to not get a response. In August 2023, Cashplus closed C's account.

As I've said above, KYC checks are one of the obligations Cashplus must meet. Given it made reasonable attempts to make contact, and as it didn't get any response from C, I'm satisfied Cashplus has acted in line with its obligations when restricting the account.

Cashplus is entitled to close an account just as a customer may close an account with it. But before Cashplus closes an account, it must do so in a way, which complies with the terms and conditions of the account. Cashplus gave C 60 days' notice, and this is in line with its terms.

C says the main issue is the delays Cashplus caused in returning their funds and the impact this has had on the running of their business. Though not ideal, one of C's directors says they were able to use their personal funds to continue with their business activities.

As I've said above, Cashplus hasn't done anything wrong in restricting and later closing the account in the way it did. However, Cashplus accepts it should have made it clear on 2 August 2023 that a statement for an external account in C's name was needed to release the funds. This caused avoidable delay in the funds being accessible to C.

It is this service's approach to award 8% simple interest as compensation where a consumer has been deprived of the use of their funds. I see no reason to depart from that here. C would like compensation for losses sustained to their business. But Cashplus didn't do anything wrong when restricting their account – and the 8% award addresses any period they were unfairly deprived of access to the funds.

Cashplus offered C £40 compensation. I think this is fair compensation for any inconvenience caused to the directors of C in chasing up their funds to be released.

Putting things right

To put things right, Cashplus should:

- Pay C £40 compensation for the inconvenience caused
- Pay 8% simple interest* on the balance on the funds from 2 August 2023 up until settlement, which I understand was the 27 September 2023

* If Cashplus considers it's required by HM Revenue & Customs to deduct tax from that interest, it should tell C how much it's taken off. It should also give C a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above, I have decided to uphold this complaint in part. I now direct Zempler Bank Limited, trading as Cashplus Bank, to put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 19 August 2024.

Ketan Nagla
Ombudsman