

The complaint

H complain Metro Bank PLC (“Metro”) closed their account and did so with insufficient notice causing them financial loss and substantive 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.

On 8 September 2023, Metro notified H it would be closing their account in seven days’ time, on 15 September 2023. Unhappy with this, H complained. Metro didn’t uphold H’s complaint. In summary, the key points it made were:

- Following a routine review Metro decided to close H’s account in line with its terms and conditions
- Metro usually applies restrictions on an account as soon as a seven-day notice to close has been sent to stop any further inward credits
- Metro can’t provide an exact reason why it took the decision to close the account

Metro also wrote to one of H’s previous directors separately and said it had discovered adverse information about them which led to its decision to close the account. H referred their complaint to this service.

H explained that Metro’s decision to close their account in seven days caused severe disruption to their business to the extent:

- They may have to cease trading and are having to borrow substantive funds
- They have only received seven out of 60 invoice payments as payments into the Metro account have either bounced back or their client hasn’t received the funds back to resend to a new account for H
- They’ve had to let some employees go until the matter is resolved
- All of H’s direct debits were cancelled causing services they depend on to stop

H add that they should have been given 60 days’ notice of closure so that they could have made alternative banking arrangements. One of our Investigator’s looked into H’s complaint, and as part of their investigation, they asked both parties for further information and evidence.

In relation to the impact Metro’s actions caused them, H said:

- Four invoices remain unpaid of which copies have been sent to this service. And

whilst the other invoices haven't all been paid, those clients have agreed to settle

- Of the two full-time staff that had to be let go, one has returned on a full-time basis whilst the other on a part-time basis
- It took hours to chase up and sort out invoice payments
- All direct debits were cancelled so all services stopped, and each had to be renewed
- A subject access request to Metro has shown its staff were making inappropriate comments in relation to H and its directors

Our Investigator recommended H's complaint is upheld in part. Some of their key findings were:

- Metro isn't obligated to continue providing an account to a customer if it doesn't want to. But it should provide reasonable notice
- Metro's terms and conditions say it can close an account with immediate notice under certain circumstances. Metro acted fairly in closing H's account, but it didn't meet the conditions to do so immediately. Metro should've provided H with the full notice period under its terms
- H's third-party bank statements show it was able to open a new account on 12 September 2023, and they were able to inform its customer of these new bank details
- H haven't been able to provide sufficient evidence about letting its staff go and inability to pay their wages
- H have provided evidence about invoices they've not had paid. Had Metro given the right notice to close the account, it's likely these invoices would've been paid
- Metro's internal communications show its staff were unprofessional towards H
- To put things right, Metro should pay H £300 compensation for not providing them with the correct notice, inconvenience of invoices not being paid and having to chase them

H didn't agree with what our Investigator said. In the main, H say its financial losses haven't been properly accounted for as their true loss is well over £10,000. Our Investigator then looked at H's complaint again, and they made the following key findings:

- Whilst some invoices were still due around the time the account was closed, the evidence H has provided doesn't show sufficiently they would've been paid had the account remained open. That's because the messages H has provided shows they were being ignored by their clients – implying the payments weren't made or received
- There wasn't any evidence provided in relation to the employees being let go and the impact this had
- No evidence of direct debits being cancelled and the impact this had has been provided by H

H didn't agree with what our Investigator said about the invoices being paid and the financial loss this caused to them. 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.

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 focussed 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. I do stress however that I've considered everything that H and Metro have said before reaching my decision.

Having done so, I have decided to uphold this complaint in part. I'll explain why.

Account closure

Banks in the UK, like Metro, 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.

Metro is entitled to close an account just as a customer may close an account with it. But before Metro 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 Metro and H had to comply with, say that it could close the account by giving them at least 60 days' notice. And in certain circumstances it can close an account immediately or with less notice.

Metro gave H seven days' notice to close their account. As this is less than the 60 days', and as some restrictions were placed on the account, I must treat this as an immediate closure. And having carefully considered the terms in which Metro may decide to close an account in this way, I'm not persuaded it had sufficient grounds to close the account immediately.

From the information provided to me I am however satisfied that Metro had concern enough to close H's account by giving 60 days' notice.

H say it would like a better explanation of why Metro decided to close their account. But Metro is under no obligation to do so, and I note, as I said above, it did give an explanation to one of H's previous directors.

Impact of immediate closure on H

H has provided me with its bank statements from its new provider. I note that this new account was open at least on 12 September 2023 – four days after Metro sent its closure notification and three days before the account was closed. This means, H's business activity and ability to receive, and make, payments were prevented for four days.

H has sent in four copies of invoices they say haven't been paid because of what Metro did wrong. One of these predates the notice, so I don't think its relevant. For the others, H has sent in screenshots of messages where they were chasing payment. I note that in some cases they were not getting a response.

Having carefully thought about this, I don't think four days is a significant period in which the clients who had outstanding invoices could've been informed of the new bank details and funds could have been diverted there without causing significant disruption to H's cash flow.

I would add to that I'm not persuaded given this four-day window, and the lack of responses from clients, that the invoices would otherwise have been paid to H. I note H say that its part of the nature of its business activities to have to chase up payment.

I do however agree that had the Metro account stayed open to allow H to make alternative banking arrangements the transition would have been much smoother and would have meant less chasing and administrative burden. Because of this I'm satisfied Metro should pay come compensation for the inconvenience caused.

I haven't seen enough evidence to persuade me that H has suffered financial losses, and I think having a new account opened so soon after the notice ought to have mitigated against this.

H also say they had to lay off some of their staff and has now re-employed them but on less hours. H hasn't provided any evidence of this and what impact having less staff caused it. H also say it has incurred losses due to having to cancel direct debits. Metro's bank statements don't show H was charged any fees for unpaid direct debits. Though I accept H would have been inconvenienced by having to cancel and reinstate direct debits to its new account in a much shorter timeframe than it would have had to with 60 days' notice.

Metro's internal communications show that its staff had acted unprofessionally when referring to H's issues. This is unfortunate and I can see why it has caused some offence.

After carefully considering the impact of Metro giving less notice of the closure than it should have, and for the reasons I've set out above, I am satisfied £300 is fair compensation. In reaching this amount, I have considered what this service says about such awards. This is available on our website.

My final decision

For the reasons above, I have decided to uphold this complaint in part. Metro Bank PLC must now pay H £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 23 August 2024.

Ketan Nagla
Ombudsman