

The complaint

B, a charity, complains that TSB Bank plc unreasonably blocked and then closed their accounts. They'd like to be compensated for their losses.

What happened

B is represented by Mr B, a trustee. Mr B has in turn appointed professional representatives, but for ease of reading this decision will only refer to B and Mr B.

B held accounts with TSB. But in April 2023 Mr B discovered he could not make any payments from B's current account. TSB said the account was under review and asked for proof of entitlement for several payments made into the account.

Mr B provided information on the payments to TSB. But the accounts remained blocked. B complained to TSB in May 2023, who said they could not give any further information on the blocks. But they said they needed further information but had neglected to ask for it. They offered £100 in compensation for this.

TSB later took the decision to close B's account – initially they issued a notice saying the closure would be in 60 days' time. But then on 16 June 2023 the bank emailed to say the account had been closed with immediate effect. Mr B requested the balance be returned by bank transfer, but instead TSB sent a cheque. Mr B also requested to use the current account switching service to move the account, but this was blocked by TSB.

Mr B complained again. TSB responded to accept that the decision to close the accounts immediately would be conflicting and confusing. They said sending the remaining balance by cheque was their standard process. They said the journey B had experienced through the process was poor and offered to pay an additional £300 in compensation.

This was declined by B, who referred their complaint to our service. B said because they couldn't access their funds, they'd had to borrow money to complete a property purchase which incurred a £10,000 charge.

One of our investigators looked into what happened but didn't see that TSB needed to do any more. They reasoned that it was reasonable for TSB to have blocked B's account, and there was no need for them to provide a reason for this. They said the closure of the account was in line with the terms. They felt TSB should have requested information from Mr B earlier than they did and explained that the switching service wouldn't be available. They said the £400 compensation was enough to make up for this.

B didn't accept this, saying they accepted that TSB did not need to provide a reason for its actions. But TSB had delayed in requesting information, which was promptly provided, can't be fair and reasonable. They also said the decision to close the accounts, while not allowing the funds to be transferred was unreasonable. This didn't change the investigator's mind, so the 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.

The investigator is right to say that TSB, like all regulated financial businesses in the UK, have strict legal and regulatory requirements to meet when providing accounts to their customers. These obligations can broadly be described as a duty to monitor accounts for signs of financial harm, and for the detection and prevention of fraud or financial crime. These are strict obligations, and firms such as TSB can face severe consequences for failing to adhere to them.

These obligations mean that on occasion a bank will need to carry out a review into an account's activity. They may also consider it appropriate to prevent any further use of the account while they do so – there is provision in the terms of B's account for this.

TSB aren't obliged to share their reason for carrying out a review – and often it would be unwise to do so, or to give advance notification of any restrictions. B have accepted this point, but I think it's important for me to consider why the review was carried out. The rules of our service allow us to consider certain evidence in confidence if the ombudsman deems it appropriate to do so – such as if the information is commercially sensitive.

In this case I'm satisfied that this evidence should remain confidential, so I cannot detail them in full here. But I'm persuaded it was reasonable for TSB to review B's account and to prevent any transactions on the account while they did so. As such I can't reasonably compensate B for any losses that flow from these reasonable actions.

But any review should be carried out in a reasonable timeframe – in this case TSB initially asked for some information on payments into B's account, which Mr B responded to. He also made the bank aware he wouldn't be available for a short period. But TSB still required further information about several payments. The bank have accepted they neglected to ask, so I'm satisfied this has caused unreasonable delays to the review.

The result of the review was that TSB decided they didn't want to provide banking facilities to B anymore and issued the notice to close in May 2023 – initially this was 60 days' notice, but on 16 June the account was closed immediately. Generally, a bank can close an account for any reason, so long as the required notice is given. But the terms of the account only allow for immediate closure in limited circumstances.

Having considered TSB's reasons for reviewing the account, alongside the evidence B sent to them, I'm satisfied that the decision to close the account immediately was reasonable and in line with the agreed terms. As the account had been restricted since April 2023 anyway, the immediate closure would have been more beneficial to B than waiting for the full 60 day notice period – although I can see how the information given to B would have been confusing.

I've considered whether TSB should have closed the account immediately in May 2023 – and at that point I agree they could have. But it's generally the bank's commercial discretion when they close an account. And in any case from the available information from TSB this will not have led to the funds held being released earlier – there were still processes related to the closure that needed to be completed before the funds could be released.

For the release of the remaining funds, I understand B's preference would have been for a bank transfer, but I don't see that TSB's decision to send a cheque was unreasonable. I can also see the funds held in savings were credited with the account interest rate at the time,

which is appropriate. TSB aren't under any obligation to accept a switch out using the current account switching service – and as mentioned above there were still processes to complete regarding the account closure, so I'm not persuaded this would have led to B receiving their funds any faster.

Overall, I'm satisfied that TSB caused delays in the handling of the review. And the communication from TSB was poor – the conflicting information about the account closure, which will have given B incorrect assumptions of when the funds held would be available to them. But the bank have accepted this and offered £400 in total for the failings.

When considering what is fair redress I consider the impact on the complainant here – B. I've no doubt Mr B was incredibly frustrated at finding the charities accounts shut, but I can only consider any inconvenience caused directly to B by the failings identified. I'm not persuaded that TSB should have released B's funds earlier than they did, so I can't reasonably ask the bank to cover any costs to B from this. I'm also aware B had accounts with another bank by early May 2023, which will have mitigated any effects. But I accept taking a trustee's time away from other tasks will have impacted the running of the charity.

On that basis, I'm satisfied that the £400 TSB have already offered is fair redress – and as such I wouldn't look to increase it. I understand B has received cheques from TSB, but not yet cashed them. I'll leave it to them to decide whether they do so, or ask for an alternative method of payment.

My final decision

My final decision is that TSB Bank Plc should pay £400 in total to B for the poor communication, and delays in asking for evidence to review.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 1 July 2024.

Thom Bennett
Ombudsman