

The complaint

Mrs B complains on behalf of Mr B that Northern Bank Limited trading as Danske Bank unreasonably declined an application to open a business account.

What happened

In November 2022 Danske Bank wrote to Mrs B to advise that she appeared to be using her personal account for business purposes. It advised that she should move all business activity to a designated business account.

In January 2023 Mr B made an application for a business account. As part of that application he was required to provide a copy of his latest tax return. It appears that he was unable to do that and said on his application: *"I am unable to upload my last tax return for 2021-2022 because I keep getting a message back that the format of my online file is not supported by your system."*

On 8 March 2023 Mr and Mrs B had a conference call with a Danske Bank representative. They were told what would happen now with regard to the opening of the account and that they would receive an activation letter and then a request to make a deposit into the account to formally activate it. They were also told that the application would be passed to another department and that, if everything checked out, the account would be opened.

However by letter dated 16 March, Mr B was told by Danske Bank that his application for a business account had been declined. Despite Mrs B corresponding with Danske Bank and visiting the branch she was unable to find out the reason for that decision.

Danske Bank has not provided a formal final response letter but clarified in correspondence with this service that the reason for the decline of the application was the failure to provide a copy of the tax return.

Our Investigator considered the complaint but found that Mr and Mrs B were not assured that the business account would be opened but rather that the application would be considered by another department for final approval. She explained that Danske Bank had taken a commercial decision to decline the application for the business account which it was entitled to do. So it hadn't acted unreasonably.

Mrs B disagreed and pointed out that she had shown us proof that Danske Bank had agreed to open the account and that this had been confirmed in her and Mr B's call with the bank in March 2023. The complaint was referred to me for an Ombudsman's decision.

I issued a provisional decision. I noted that the application would have been approved had the copy tax return been supplied. And I didn't really understand why Danske Bank failed to tell Mrs B that, even though she made some efforts to find out. So I proposed that Danske Bank should pay Mr B £200 compensation.

Danske Bank did not respond to my provisional decision.

Mrs B responded on behalf of Mr B that, in the conference call they had with Danske Bank in March 2023, it was not told to them that the decision to open the business account was going to have to be reviewed by another department before opening the account.

Mrs B further said that £200 is not sufficient enough of a penalty to deter Danske Bank from doing the same thing to another customer and not having to answer for it. And it doesn't compensate for the number of hours they've had to put in over the past 14 months.

She also said that the closure of her personal account and the non-opening of the business account were handled by us as two separate issues. But they were directly related and should have never been handled as separate matters.

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.

My provisional findings are set out below, in italics:

"In respect of the conference call that took place between Mr and Mrs B and Danske Bank's adviser in March 2023, I've listened to the recording of that call. Whilst the adviser did not specifically say that the account had been approved the tone of the call was that it would be approved. And I think that that was because Danske Bank's notes concerning the application document say "We are comfortable with the overall risk factors associated with the customers and are happy to proceed with opening an account for the customer"

But I don't think that Mr and Mrs B were specifically told that the application had been approved. They were told that it had to go through another department and that they would be contacted if there were any questions.

I can understand then that Mr B was shocked to receive a letter merely telling him that his application had been declined. And whilst I agree that Danske Bank was entitled to make a commercial decision not to approve the account opening, that decision was as I understand it purely because Mr B had not supplied a copy tax return. I accept that the tax return was requested in February 2023, but Mr B had explained why he couldn't upload a copy of the tax return. With Danske Bank being fully aware of those circumstances at the point of the conference call on 8 March 2023. And there wasn't any communication from Danske Bank that suggested any alternative format that the tax return could be supplied in. This wasn't in my view a deliberate refusal to supply the tax return.

Given the tone of the telephone call with Mr and Mrs B on 8 March 2023, it doesn't appear that the lack of a tax return had been flagged as a reason for declining the application. Indeed as I have said, the call proceeded on the basis that the application was likely to be approved. The adviser could have discussed the matter with Mr and Mrs B at the time, or if he was not in a position to do that, then the department reviewing the application for final approval could have raised it with Mr and Mrs B rather than simply advising Mr B that the application had been declined.

Danske Bank has confirmed to us that the application would have been approved had the copy tax return been supplied. And I don't really understand why it failed to tell Mrs B that, even though she made some efforts to find out. It doesn't appear to me to relate to any confidential information - we've certainly not been told that that is the case.

I understand that Mr B was able to open an account with another provider in June 2023. Mrs B has told us that it affected his health, and I can understand that it would have caused

some stress and anxiety. I should advise that though Mrs B has been acting as his representative she is not a customer of the bank so far as the business account application is concerned. So I can't make an award of compensation to her.

I haven't been told of any financial losses but I think that Danske Bank should pay compensation for the distress and inconvenience caused to Mr B. I propose to make an award of £200."

With regard to Mrs B's comments about the conference call in March 2023, I have listened to it again. Towards the end of the call the adviser did say the application would be referred for checking. Although he spoke very fast and Mr and Mrs B may have missed this. In any event as I've said the impression he gave was that the application was likely to be approved after final checking.

With regard to compensation the intention is not to penalise the business but rather to compensate the consumer for the upset caused by the failure. Here Mrs B lodged the complaint with this service in April 2023. And I understand that Mr B was successful in setting up a new business account in June 2023. So, with Danske Bank not having provided a formal final response, the compensation relates to that period. I can't award compensation for the time the complaint was otherwise with this service, or for Mrs B's time in preparing and dealing with the complaint. I must further emphasise that it is Mr B who is the complainant in this case and that any compensation relates to the distress and inconvenience he suffered, not Mrs B as his representative.

I still think that £200 is an appropriate award and is in line with awards we've made in similar cases. I'm satisfied its fair and reasonable.

With regard to the complaint about Mrs B's account, this was dealt with separately as Mrs B is a separate complainant and the complaint relates to a different account. I can't review any of the circumstances of that complaint here where Mr B is the complainant. And, in any event a decision on Mrs B's complaint has already been made by my Ombudsman colleague.

Having reviewed Mrs B's response to my provisional findings, I remain persuaded by them. So those findings are now final and form part of this final decision.

Putting things right

Danske Bank should pay Mr B £200.

My final decision

I uphold the complaint and require Northern Bank Limited trading as Danske Bank to provide the redress set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 25 April 2024.

Ray Lawley
Ombudsman