

The complaint

Mr A complains that Coventry Building Society closed his accounts. He's also unhappy that Coventry didn't allow him to use his accounts during the notice period.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr A had over twenty accounts with Coventry, which included savings and ISA accounts. The majority of these accounts (sixteen) were opened between December 2022 and January 2023.

In March 2023, Coventry contacted Mr A and told him it wasn't happy how he was using his accounts. Following this, it wrote to him to let him know it wasn't willing to offer him banking facilities and gave him two months' notice that it would be closing all of his accounts. During the notice period Mr A was able to access the money in his accounts, however, Coventry restricted him from making any deposits.

Prior to December 2022, there had been little transaction activity on Mr A's accounts. Mr A began making cheque deposits, the majority of which were for £250,000 each into the recently opened accounts by post at various branches. This continued until mid-March 2023 which is when Coventry decided to review Mr A's accounts and contacted him about the transaction activity on his accounts.

Following clearance of the respective cheques, the funds were then moved internally by Mr A to other accounts that he held with Coventry. This happened via a series of multiple transactions that were carried out online across the various accounts held.

This activity was then followed by transfers out of the Coventry accounts to an account Mr A held with another financial institution, taking the account balances down to zero before the process of depositing cheques for £250,000 each was repeated again.

The interest earned whilst the funds were with Coventry was pooled into one of the accounts Mr A held and then transferred out of the account at the end of each month.

Coventry pays interest from the date a cheque is deposited into an account. The cheque clearance cycle takes three business banking days with Day 1 being the date funds are deposited and the date on which they begin to earn interest in a Coventry account. Day 3 after 9pm is when the funds are available for withdrawal. On Day 3, or shortly after, Mr A began to disperse the funds he'd previously deposited by cheque by transferring them between his different Coventry accounts. Following this, he'd transfer the funds out of the accounts, reducing the balances to zero. Mr A would then repeat the cycle.

Coventry contacted Mr A on 20 March 2023 and told him that it wasn't happy with how he was operating his accounts. It explained that as a building society, it offers a range of

savings products which are designed to help customers who are genuinely looking to save with them. And that its products are not designed for the purpose of short term, overnight deposit of funds.

Coventry told Mr A that it would be closing his accounts due to the way he was operating them and wrote to him on 22 March 2023, giving him two months' notice that he'd need to make alternative banking arrangements. The letter also told Mr A that Coventry wouldn't be allowing Mr A to open any further accounts with them in the future.

After writing to Mr A on 22 March 2023, he proceeded to open two further accounts online on 24 March, despite Coventry advising him that they wouldn't allow any further accounts to be opened.

One of the accounts opened was a fixed rate ISA with funds transferred from his Coventry Easy Access ISA – an account he'd not transacted on since 2018 with the small balance it contained comprising purely of accrued interest; Coventry closed the fixed rate ISA on 27 March 2023. The other account was a fixed rate bond which contained no funds and was closed by Coventry on the day it was opened.

During the notice period Mr A was able to access the money in his accounts and withdraw funds. He was also able to close the accounts. However, due to how Mr A had been operating the accounts Coventry restricted all of Mr A's accounts so that he wasn't able to deposit any funds/cheques into them. Mr A transacted online at the beginning of April 2023, transferring interest from a number of his accounts into another Coventry account before transferring the funds to an external account in his name.

Mr A complained to Coventry about the closure of his accounts. He said he'd done nothing wrong, and that he should have been able to use his account fully throughout the notice period. He says that Coventry didn't make this clear to him in the letter that it sent to him in March 2023.

In response, Coventry accepted it didn't make it explicitly clear that Mr A couldn't use his accounts before they closed them but maintained that it did make it clear that it wasn't happy with how Mr A was using his accounts, and that he wouldn't be able to carry on being a customer after 23 May 2023, which is when his accounts would be closed.

Unhappy with this response Mr A brought his complaint to our service where one of our investigator's looked into what had happened. After looking at all the evidence the investigator said Coventry had essentially closed Mr A's accounts immediately because it had placed restrictions on how he used the accounts. She didn't think Coventry had treated Mr A unfairly in taking the actions it did and said that all the accounts had been closed in line with the terms and conditions. She also explained that Coventry didn't have to explain why it no longer wanted Mr A as a customer.

Mr A disagreed. He said Coventry had no reasons to close his accounts immediately and he hadn't received the closure letter before he opened the ISA and bond accounts. He says he wasn't informed he wouldn't be able to use the best interest rates available at Coventry and use his accounts as he had been doing up to the point that they'd be closed. So, he says because he was given two months' notice he should have been able to use his accounts during the notice period.

As no agreement could be reached the matter has come 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.

This service will not generally interfere with the legitimate exercise of a financial business's commercial discretion. And it's primarily for a bank or financial business to decide whether it wishes to provide or continue to provide banking services to a customer. I've not seen any reason to make an exception to that general position in this case. Having looked at all the evidence and circumstances of this complaint, including how Mr A was operating his accounts, I think Coventry's decision to close Mr A's accounts was a legitimate one.

I've considered the basis for Coventry's review, which I find was legitimate and in line with its legal and regulatory obligations. And in line with the terms and conditions of the accounts. So, I'm satisfied Coventry acted fairly and reasonably when it completed its review of Mr A's accounts. The end result of the review was that Coventry decided they didn't want to provide banking facilities to Mr A anymore, and after speaking to Mr A about how he was using his accounts, issued the notice of its intention to close Mr A's accounts in March 2023.

Banks do not have to provide a reason for closing an account, however, in this case Coventry told Mr A that it wasn't happy with how he was using his accounts. So, whilst he might not be happy with this explanation, I'm satisfied that Coventry have told him why it no longer wants him as a customer.

I've next gone on to consider whether Coventry acted fairly when it closed Mr A's accounts. The terms and conditions of Mr A's accounts set out that Coventry can close the accounts by providing two months' notice. And in certain circumstances immediately. In this case I can see that Coventry wrote to Mr A on 22 March 2023, giving him the full notice period of two months, a notice period of around two months would give most personal customers an opportunity to make alternative banking arrangements. However, Coventry also restricted Mr A's accounts. Mr A says that Coventry didn't tell him he wouldn't be able to use his accounts during the notice period.

In this case I note that Coventry spoke to Mr A indicating that it wasn't happy with how Mr A was operating his accounts, and it followed this up with a letter on 22 March 2023, which also told him he couldn't open further accounts. Having looked at the letter, I think Coventry made it clear to Mr A about why it was closing his accounts. But I agree it didn't explicitly set out that Mr A couldn't carry on using his accounts. However, I am satisfied from looking at the evidence, that Coventry made it clear that the activity it wasn't happy about on Mr A's account was linked to deposits and transactions. So, I don't think it was unreasonable that Coventry restricted Mr A's accounts during the notice period to prevent this activity continuing.

Even if I were to take a different view of that, however, it does not seem to me that Coventry's decision caused any financial loss or material inconvenience to Mr A. I say this because despite the restriction, Mr A was still able to access his funds. The only transacting he wasn't able to do on his accounts involved the type of activity Coventry had told him it wouldn't permit – which I don't think was unreasonable. So, I don't find Coventry treated Mr A unfairly when it restricted and closed his accounts. I'm also satisfied that Coventry closed Mr A's accounts in line with the terms and conditions. So, I won't be asking Coventry to reopen the accounts or to pay Mr A any compensation.

In summary, it's clearly caused Mr A inconvenience and upset when Coventry closed his accounts. So, I realise Mr A will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't say Coventry treated Mr A unfairly.

when it reviewed and closed his accounts. So, I won't be asking Coventry to do anything to resolve his complaint.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 8 July 2024.

Sharon Kerrison
Ombudsman