

The complaint

Mrs W complains that TSB Bank plc restricted her account, with the effect that she could not access funds held in it. In addition, it did not tell her the account was restricted, causing her additional inconvenience. When Mrs W found out what had happened and tried to switch accounts, TSB was obstructive.

What happened

Mrs W has held accounts with TSB for many years. More recently, she suggested to her husband that he open a business account with the bank, which he did. She was a signatory on the business account.

In March 2023 Mrs W's husband received a call from TSB seeking information about the business and about payments to and from the business account. Mr W was unsure whether the call was genuine, but in any event the call cut out and he did not provide the information requested in the course of it. In fact, the call was from TSB and had cut out because of technical issues.

Because it had been unable to obtain the information it needed, TSB says it placed a block on the business account while it made further enquiries. In line with its policy in such matters, it also restricted accounts linked to the business account. Because Mrs W was a signatory on the business account, that included Mrs W's personal account.

Mrs W has explained that she had been in hospital and recovering from a serious injury from January 2023, and so had not used her account for some time. When she later tried to make a debit card payment, she was unable to do so.

Mrs W called TSB to say that the card was not working, but she was reassured that it should and encouraged to try again. It still did not work. TSB suggested it might be damaged and issued a replacement. The replacement card did not work either. When Mrs W contacted the bank again, she was told that her account had been blocked at the end of March 2023 and that the decision had been taken on 18 May 2023 to close her account. TSB apologised and offered Mrs W £50 by way of compensation for not telling her the account was restricted.

Mrs W tried to switch her account to a different provider, but TSB said that the current account switching service (CASS) was not available where notice to close an account had been given. She could however go to her branch with identification, withdraw funds, and close the account in person. She did that on 12 June 2023 and was able to open a new account with a different bank.

Mrs W complained about what had happened, and one of our investigators considered her complaint. He concluded, in summary, that TSB had been within its rights to restrict and close the account in the way it had. He thought however that there had been delays on the bank's part. But for those delays, Mrs W would have been able to use CASS and transfer funds to a new account sooner than had been the case. He recommended that TSB pay Mrs W a further £150 in recognition of the inconvenience this had caused and that it pay interest at 8% a year on the account balance from 25 April to 7 June 2023.

TSB accepted the investigator's recommendations, but Mrs W said she thought compensation of £500 would be fair. She also said that she had made a data subject access request which TSB had not complied with. TSB maintained that it had provided the information requested. Mrs W asked that an ombudsman review the case.

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've reached the same overall conclusions as the investigator did, and for similar reasons.

Banks and other account providers are generally entitled to ask questions about payments into and from bank accounts, and in some cases may be under a legal or regulatory duty to do so. Having decided to seek further information about the operation of the business account, I don't believe it was unreasonable of TSB to place restrictions on Mrs W's personal account whilst its investigations were completed. Although there was no direct link between them (there were, for example, no payments between the two accounts), Mrs W was a signatory on the business account.

However, TSB should have told Mrs W that the reason she could not use her card was that her account had been restricted. I do not believe the bank deliberately misled her, but it accepts that it was wrong to suggest that her debit card was still working or that it had been damaged. Its records showed that the card was not working because the account had been restricted, but Mrs W was not told that at the time.

Had Mrs W been provided with the correct information more promptly, I believe Mrs W would have been in a position to close her TSB account and open an account with a different provider several weeks earlier than was in fact the case. It's possible too that she would have been able to do so using CASS. Had she been able to switch accounts, she would have had access to her funds sooner. I will discuss below how TSB should compensate her.

Mrs W said in response to the investigator's view that TSB had not complied with its obligations to answer her data subject access request. Since that is an issue which arose some months after she referred this complaint to us, however, I make no comment on it. It does not form part of this complaint.

Putting things right

The usual remedy where someone is wrongly deprived of funds is to award interest on those funds for the period during which they should have had access to them but didn't. The investigator thought that, but for the delays on the part of TSB, Mrs W would have been able to withdraw money from her account by 25 April 2023. I agree with that assessment.

The interest rate applied is intended to reflect, to some extent at least, the cost of borrowing, not a savings rate. A rate of 8% is commonly used by the Financial Ombudsman Service and courts and is, I believe, fair in this case.

I agree too that a further £150 compensation is warranted (in addition to the £50 which TSB originally offered). That is in line with this service's published guidelines for non-financial loss. I do not believe there is a good reason to award the higher sum of £500 which Mrs W has indicated.

TSB has made an offer in line with the investigator's recommendation, but I will make a formal award in any event – so that it remains open for acceptance and so that Mrs W can enforce it, should that be necessary.

My final decision

For these reasons, my final decision is that, to resolve Mrs W's complaint in full, TSB Bank plc should pay her:

- interest on £3,164.83 at 8% a year simple from 25 April to 7 June 2023; and
- £150 in recognition of the distress she has suffered and the inconvenience to which she has been put (in addition to the £50 referred to in its letter of 24 May 2023).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 11 June 2024.

Mike Ingram

Ombudsman