

The complaint

Miss R complains that J.P. Morgan Europe Limited (trading as Chase) unreasonably blocked and subsequently closed her account. She'd like to be compensated for the inconvenience this caused.

What happened

Miss R held an account with Chase, but in September 2023 she discovered she could no longer access any of the funds. She contacted Chase repeatedly but wasn't given any reason for her account being blocked. When she complained, Chase responded to say that they could not provide any further explanation and directed her to the terms of her account.

In November 2023 Chase made the decision to close Miss R's account. They sent her a notice the same day the account closed, and subsequently released the funds to her.

Unhappy with what had happened Miss R referred her complaint to our service. One of our investigators asked Chase for information about why the account was reviewed and closed but wasn't satisfied with the answers given. They didn't feel Chase had justified either the length of time Miss R had been without access to her funds, or the overall closure of the account. They suggested Chase pay 8% simple interest per annum on the balance held while she didn't have access to the funds, as well as £150 compensation.

This was accepted by Miss R, but Chase disagreed. As no agreement could be reached 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.

Chase, like all banks in the UK, must meet strict legal and regulatory requirements when providing accounts to their customers. These obligations mean that they may occasionally need to look at the activity on an account – and there may be a need to block further access to the account while they do so. There is provision for this in the terms of Miss R's account.

However, restricting the access to a consumer's funds isn't a decision that should be taken lightly, given the potential repercussions. Chase have declined to explain to Miss R why a review was being carried out. But the role of our service is to determine whether the bank has acted fairly and reasonably.

In this case, I don't see that Chase have provided our service with a reasonable explanation of the need for the block, despite being given ample opportunity to do so. And from reviewing the account statements and communication between the parties, I haven't seen any specific reason for concern that would lead to the account blocked. On that basis, I can't safely conclude that the block was reasonable. I'm satisfied that Chase have treated Miss R unfairly in denying her access to her funds.

Likewise, Chase have a broad commercial discretion in to who they provide accounts to, and under the terms can close an account by providing at least two months' advance notice. This is in line with the regulations concerning payment accounts, and wider industry practice. But in this case Chase closed the account immediately – although it had remained blocked since September 2023. The terms only allow this in limited circumstances.

Nothing I've seen from Chase suggests any of these circumstances apply. So, I'm not persuaded that an immediate closure was reasonable.

From the evidence provided I can see that Miss R was regularly contacting Chase for an update on her funds. The terms of the Chase account say that if an account was blocked, they would inform the customer why unless it would be unlawful to do so or would affect the security of the account. I've seen nothing to indicate this was the case. So, I can see why Miss R would be left frustrated and upset by not being given any information by the bank.

Overall, I don't see that it was fair that Chase withheld Miss R's funds, as the bank haven't provided a reasonable explanation for the block and review. On that basis, I see it's reasonable that they should pay her 8% simple interest per annum on the total value held with chase, from the date of the block to the date the funds were released to her. I also see it as reasonable that Chase pay Miss R compensation for the distress caused by the unreasonable block and closure.

If Chase consider that HMRC requires them to deduct tax from the interest award, they should provide Miss R with a certificate showing how much has been deducted, should she ask for one. She can then reclaim this directly from HMRC, if she is eligible.

My final decision

My final decision is that I uphold this complaint and direct J.P. Morgan Europe Limited to settle it as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 18 October 2024.

Thom Bennett
Ombudsman