

The complaint

F, a limited company, complains that Starling Bank Limited unreasonably blocked and subsequently closed its accounts. It has also complained of the time taken to release the remaining funds.

What happened

F held an account with Starling, but in May 2023 discovered that it could not access its funds. When it attempted to discuss this with Starling, the bank did not offer any explanation of the restriction or timescale it would take to resolve.

Later Starling took the decision to close the account. The bank told F the funds would be released within 14 days, but it took several weeks longer than this to return the funds.

Unhappy with this F complained to Starling. In response Starling apologised for the delays in issuing the closing balance and offered £50 compensation. But they felt the closure was fair and in line with their terms.

F then referred its complaint to our service. One of our investigators looked into what happened but didn't think Starling needed to do anything further. F did not agree, 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.

I'm aware that our service has received a number of complaints from linked enterprises which are broadly about the same issue. In this decision I am only considering Starling's decision to close F's accounts, as that is the legal entity who is bringing this particular complaint. And as a limited company, it has a separate and legally distinct identity to that of its directors – so I can only consider Starling's actions in relation to F.

Starling have strict legal and regulatory obligations to meet when providing accounts to their customers. Broadly, these can be described as a duty to monitor accounts and account activity for signs of financial harm – such as fraud, financial difficulties or the like. This means there may be occasions where they need to carry out a review into an account's activity – and the bank may choose to restrict any further activity on the account while they do. There is provision for this in the terms of F's account with Starling.

There's no specific obligation on Starling to explain the nature of the review to F, and they have declined to do so here. Our service can treat certain evidence in confidence if the ombudsman considers it appropriate – for example if it contains information about third parties or sensitive commercial information. Starling have provided their reasoning for reviewing F's account to our service, and I'm satisfied it should remain confidential. So, I'm sorry to F that I won't be detailing it in full here.

I'm satisfied that the decision to review F's account was appropriate, and in line with the bank's legal and regulatory obligations. I've no doubt it was disruptive to F's business to not have access to the funds in their account, but I don't see that Starling's actions in restricting the account were unfair or unreasonable. The review was completed in a reasonable timescale, and I can't see there were any avoidable delays caused by Starling.

The ultimate result of the review was that Starling decided to end their banking relationship with F. As there was no further activity allowed on the account, I consider it to have been effectively closed without notice, which under the terms can only be done in very limited circumstances. In this case, considering the reasoning and the terms I'm satisfied that this was a legitimate commercial decision for Starling to make, and in line with the bank's legal and regulatory obligations.

In the closure notice Starling did the expectation the remaining balance would be returned to F within 14 days – but it was almost a month before cheques were issued. Starling have apologised for this and offered £50 in compensation. I see that as more than reasonable. If F wishes to accept, then it may choose to contact Starling directly. But I do not see that the bank needs to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 20 August 2024.

Thom Bennett
Ombudsman