

The complaint

G, a limited company, complains that Starling Bank Limited unreasonably restricted their account, and then removed funds without permission. The account was later closed.

G is represented by a director, Mr J.

What happened

In July 2023 G's account received a payment of just over £1,500. However, the bank who sent this payment later asked for it to be recalled. Starling asked Mr J to show why G was entitled to this money and restricted the use of the account. He supplied them with some documents, saying the money was from a client for work carried out. But the bank weren't satisfied with what they received.

Mr J complained to Starling on behalf of G about the restrictions. The bank responded to say they had a responsibility to monitor accounts and ask for further information, and this was in line with the terms of the account.

In August Starling took the decision to close G's account, giving seven days' notice. They returned the disputed funds to the sending bank and the remaining balance to G by cheque.

Mr J referred G's complaint to our service. One of our investigators looked into what happened but didn't feel Starling had done anything wrong. They reasoned that Starling were following their legal and regulatory obligations in blocking the account. They understood why the bank weren't satisfied with the proof of entitlement Mr J had provided, and overall were satisfied the closure and return of funds was in line with the terms of the account.

Mr J however disagreed. He raised issues such as a potentially cloned company. He said he had been honest and provided clear information about G's client. He felt Starling were abusing their power. But this didn't change the investigators mind. 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.

The investigator has considered the closure of G's account in their assessment of this complaint. Starling's final response letter was issued before the closure took place. But I'm satisfied the decision to close the account is part of the same events Mr J had complained about – the block and review of the account.

Our service isn't bound to only consider issues referred to in the final response, we have a broader investigative remit. And as the closure decision was bound up in the review, I see that it's appropriate to consider it as a part of this complaint, rather than treat it separately.

But I won't be considering the issues Mr J has raised in cashing the cheque for the remaining balance of G's account – I consider this to be a separate series of events.

Starling, like all banks in the UK, have strict legal and regulatory obligations to meet when providing accounts to their customers. Broadly these obligations can be described as a duty to look for and investigate concerns about financial crime or financial harm. This may mean that on occasion they need to look carefully at a particular account or payment – and they may choose to restrict the account while they carry out an investigation. There is provision for this in the terms of G's account.

In this case there was a report that G may not be entitled to the funds paid into the account, so it's reasonable for Starling to block the account and ask Mr J to show why G had received the payment.

I've considered the evidence Mr J submitted to Starling, and I'm not persuaded this shows G's entitlement to the funds. Mr J has said the payment was for work carried out, but none of the invoices provided are for the amount which G received. Nor are the invoices in the name of the individual who sent the funds. There doesn't appear to be any messages or discussion that a third party would be paying part of the invoice. And I also note that the company Mr J says was making the payment appears to have an email address that matches one registered with Starling as his.

Because of this, I don't see it as unreasonable that Starling removed the funds from G's account – this is in line with the best practice guidelines in relation to receiving banks when they receive reports of receiving funds not intended for the recipient.

Mr J has made an argument surrounding company cloning, but I don't see how that would apply here. He's argued that these were funds G were intending to receive, but the weight of evidence suggests otherwise. I don't see how if his company was cloned it would mean G would receive funds not intended for them, especially if he then argues that the funds were expected and received in good faith.

I'm satisfied the review was conducted in a reasonable timescale. And the result of the review was that Starling decided to close G's account. They gave 7 days' notice of the closure, but as no further transactions were allowed after the beginning of the review in practice the account was closed with no notice. The terms of G's accounts only allow for this in very limited circumstances. But having considered these terms, and the wider circumstances of the complaint, I'm satisfied that this was appropriate.

Starling then returned the remaining funds via cheque in G's name. This is appropriate, as the funds belong to G.

Overall, I've seen nothing to suggest Starling have been unfair or unreasonable in how they've handled the review and subsequent closure of G's account. As such I don't see a reason to ask them 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 G to accept or reject my decision before 26 August 2024.

Thom Bennett

Ombudsman