

The complaint

Mr S has complained that Starling Bank Limited ('Starling') closed his account with only seven days' notice and didn't consent to him switching his account to another bank. He wants compensation for his losses and for the distress and inconvenience he suffered.

What happened

Mr S had a bank account with Starling since September 2021. In July 2023 it wrote to him to say it was reviewing his account and asked questions about specific payments that were paid in and out of his account. It said if he didn't respond within seven days it may restrict his account. Starling said there were about £185,000 worth of payments from a specific person over the previous six months. It also said that there were around £290,000 worth of remittances into Mr S's account over the previous 12 months with no evidence of salary or other income.

Mr S said that the transactions were from his sister and were in relation to a loan. He added that his source of wealth came from cryptocurrency and as Starling no longer allowed cryptocurrency transactions, in order to invest in cryptocurrency, he had to transfer funds to an external account. Mr S said that he suffers from anxiety and depression which may make it hard for him to respond within short deadlines.

Starling asked Mr S to provide bank statements from an account he had with another bank. It also said it would ask its specialist support team to get in touch with him if he needed further support.

Starling asked some further questions regarding the transactions including why Mr S's sister didn't transfer the loan repayments directly to his other account since they both had an account with the same bank. And why the funds were paid to his Starling account only to be then transferred back to the same bank they had originated from. Mr S said this was due to daily transaction limits imposed by that bank which meant payments had to be split. Mr S also said that he had spotted a transaction for £914.14 which he didn't recognise and wanted to dispute it. Starling said it would ask its card fraud team to get in touch with him.

Starling decided to close the account and wrote to Mr S on 9 August 2023 to let him know the account would be closed on 16 August 2023. It told Mr S he had until that date to transfer his funds to another account.

Starling's specialist support team messaged Mr S via its online application on 14 August 2023 to offer support.

The initial complaint

Mr S complained to Starling in September 2023. He said he found its questions regarding his account misleading and confusing. He also made a data subject access request (DSAR) for all his account notes and the communications Starling sent to third parties. Mr S said that the closure of his account was executed in an unjust and unreasonable manner, and he thought a seven-day notice period went against Starling's terms and conditions which say it will give two months' notice before closing an account. He thought the funds which remained in his account could have been returned to him by cheque and that Starling keeping his funds was a breach of their contract. Mr S said Starling's actions had an adverse impact on his mental health and asked for all future correspondence to be sent by post.

Mr S also said he was yet to hear back from the card fraud team. He said he was also still waiting to hear from the specialist support team regarding his mental health concerns.

Starling responded to Mr S's complaint around ten days later but only upheld it in part. It said it is required to monitor accounts as part of its legal and regulatory responsibilities and stood by its decision to close the account with only seven days' notice. It said this was also in line with its terms and conditions. In relation to the disputed transaction Mr S informed it of in August, it apologised for its delay in responding and said the matter had been referred to the relevant team. It apologised for the distress and inconvenience the delay caused Mr S and offered him £50 compensation. It also said it would pay him back his balance at the time the account was closed which was £27.66. It asked for external account details so it could arrange payment.

Mr S responded to say that he was still waiting to hear about his disputed transaction. He also didn't think Starling had fully responded to his complaint. Mr S said if Starling provided the compensation it mentioned in its response as well as the disputed transaction amount, he would cancel his DSAR and not escalate his complaint further. He added that he felt he had been discriminated against due to his mental health and lifestyle choices.

Mr S brought his complaint to us and said that the closure of his account with seven days' notice was unfair. He said he was also denied a current account switch. Mr S added that he felt he had been discriminated against by Starling due to his mental health and lifestyle choices. He also said the issue of the disputed transaction hadn't been resolved. He wanted compensation and for the disputed transaction to be credited back to his account. While the complaint was with us Mr S raised additional complaint points which Starling responded to.

Additional complaint points

In October 2023 Starling responded to Mr S's complaint about his DSAR not being sent in the post as well as his complaint about receiving confusing and misleading messages in July 2023. It also dealt with his complaint about not hearing back from the fraud team regarding his disputed transaction. It didn't uphold the complaint about the DSAR and said this was sent via email only because of security concerns. It acknowledged that Mr S's account had since been closed and his phone number had been changed and said it would arrange for it to be sent again. It apologised for not responding to his disputed transaction query by post, which was his preferred method of correspondence, and also for providing confusing information in some of its communications with him. It offered Mr S £100 compensation.

In November 2023 Mr S complained regarding a letter he had sent to Starling a month prior, about his disputed transaction, and which he'd had no response to. He asked for an immediate refund of the disputed amount plus interest and £200 compensation for distress and inconvenience.

In December 2023 Starling offered Mr S £40 for not being able to locate his October 2023 letter.

Mr S raised a further complaint subsequent to this response. He again said he wanted an immediate refund of the £914.14 plus interest and £250 compensation. He also made a further DSAR and asked for it to be sent by post.

In January 2024 Starling issued a further final response letter. It rejected the complaint about the disputed transaction and said it had responded to the DSAR complaint in October 2023 and referred Mr S to our organisation.

Our investigator's view

One of our investigators reviewed Mr S's complaints. She decided to deal with all bar the complaint about the disputed transaction and the DSAR (the last complaint) together. With Starling's consent, she looked at those complaints separately, under another reference.

In relation to this complaint, our investigator didn't think Starling had to take any further action. She thought Starling was acting within its legal and regulatory obligations when it reviewed and closed the account with seven days' notice. She was also satisfied that Mr S had been contacted by Starling's specialist team via its in-app chat and that this was prior to Mr S saying he only wanted to be contacted by post. In relation to Starling returning Mr S's funds, our investigator said that it did enough to make Mr S aware of how he could access and remove his funds prior to closure of the account. And she noted that Starling had since returned those funds as well as the interest that had accrued.

Our investigator also considered Mr S's discrimination complaint but didn't think that Starling had acted unfairly or unreasonably in its dealings with Mr S.

She also thought Starling's apology regarding it providing Mr S with confusing information in its communications with him was sufficient. She also acknowledged that Starling delayed responding to Mr S's disputed transaction claim but noted that it had already offered him compensation for this. She said she wasn't able to award compensation for Mr S's complaint regarding the account switch as she hadn't seen any evidence that this was refused by Starling. Overall, she thought the total compensation Starling had offered, which came to £190, was fair and didn't recommend further compensation.

Mr S didn't agree and asked for an ombudsman's decision. The complaint was then 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.

Like our investigator, in this decision I won't be looking at Mr S's disputed transaction claim which Starling rejected or his complaint about his DSAR. Those are being dealt with under a separate reference.

Starling has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

Starling will review accounts to comply with these responsibilities. Though Starling didn't do so on this occasion, it's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result.

Starling's terms and conditions say that it can close an account by giving two months' notice or with immediate effect in certain circumstances. And it can also suspend an account at any time.

Having reviewed all the evidence, including the information Starling provided in response to the investigator's view, I'm satisfied that it was acting in line with its legal and regulatory obligations when it reviewed Mr S's account. I've also considered the basis for this review, which I find was legitimate for the same reasons.

As I said above, Starling decided to close the account with seven days' notice and the account was not restricted during this time.

Having looked at all the evidence and the terms and conditions I'm satisfied that Starling was acting fairly and reasonably when it closed the account with seven days' notice. Starling has provided some further details of its decision-making process which, unfortunately, I can't share due to its commercial sensitivity. But I've seen nothing to suggest that Starling's decision around closing Mr S's account was unfair.

Starling wrote to Mr S in July 2023 asking about certain transactions and payments that were paid into his account. Starling accepted that some of its communications was slightly confusing, it apologised and offered Mr S compensation for this. I note that Starling acknowledged this within a matter of days and rephrased what it considered to have been the confusing paragraph in its earlier correspondence. I thought that was reasonable. I note Starling has also apologised for not dealing with this complaint point in its first complaint response and offered compensation. I thought this was, again, fair and reasonable.

Starling has also accepted that there was a delay in its fraud team getting in touch with Mr S and also that it had lost one of his letters. It apologised for this and offered Mr S compensation which I think was fair and reasonable.

Mr S was unhappy he didn't hear from Starling's specialist team but as our investigator said the team got in touch with Mr S within a few days via it's app. This was done before Mr S asked Starling to only get in touch with him by post. I don't think Starling has done anything wrong here and so I won't be awarding any compensation in relation to this part of the complaint.

Mr S was also unhappy that there was a small balance left on his account that Starling didn't refund. As our investigator said Mr S was given seven days to transfer his balance to another account. After the account was closed Starling moved this to another account where it accrued a small amount of interest. Starling refunded the interest and the funds to Mr S. I think this was fair and reasonable. I think Mr S was afforded enough time to transfer the funds before the account was closed and bearing in mind Mr S has other accounts with other banks, I think this is something he could have done with ease. So I won't ask Starling to compensate him for this.

Mr S said Starling also refused to allow him to switch his account to another bank. Starling has no evidence of such a request being made around the time the account was closing and as Mr S hasn't been able to provide evidence in support (for example correspondence from the other bank) this isn't something I can reasonably award compensation for. In any event I don't think Starling was under any obligation to facilitate an account switch particularly in these circumstances where it was its decision to close the account.

I have gone on to consider Mr S's allegation that he had been discriminated against because of his mental health and his lifestyle choices- Mr S says he invests in cryptocurrency.

It's not our role to say whether a business has acted unlawfully or not – that's a matter for the Courts. Our role is to decide what's fair and reasonable in all the circumstances. In order to decide that, however, we have to take a number of things into account including relevant law, which includes the Equality Act 2010 ('the Act'), and what we consider to have been good industry practice at the time. So although it's for the Courts to say whether or not Starling has breached the Act, we're required to take the Act into account, if it's relevant, amongst other things when deciding what is fair and reasonable in the circumstances of the complaint.

Mr S says he feels that Starling has discriminated against him given the problems he's experienced. I can understand why Mr S feels this way. It's not our service's role to decide if Starling breached the Act- that can only be decided by a Court as I said above. But from what I've seen I can't say Starling has acted unfairly. I say this because I haven't seen any evidence to show that Starling's decision to review and close the account was based on anything other than an application of its terms and conditions and its adherence to its legal and regulatory obligations.

I fully appreciate that Mr S says he was greatly impacted by Starling's actions, and I understand he will be disappointed with my decision. He said it also impacted his mental health which I was very sorry to hear. Ultimately, as I said above, Starling has legal and regulatory obligations it must comply with and, in these specific circumstances, I think its decision to close the account with seven days' notice was in line with those obligations as well as within its terms and conditions. Overall, I think Starling's offer of £190 for the distress

and inconvenience it caused Mr S due to the way it communicated with him, its delays and for misplacing his correspondence is fair and reasonable and in line with compensation we would award in similar circumstances.

My final decision

For the reasons above I have decided to uphold this complaint in part. Starling Bank Limited must pay Mr S £190 for the distress and inconvenience it caused him if it hasn't done so already. Or if it has already paid part of this it must now pay the amount that's outstanding.

Starling Bank Limited must pay the compensation within 28 days of the date on which we tell it Mr S accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If Starling Bank Limited considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 July 2024.

Anastasia Serdari
Ombudsman