

The complaint

Mr W complains The Co-operative Bank Plc (“Co-op”) closed his accounts and was overly intrusive when asking him for information about his account activity. Mr W says Co-op has been coerced by another third-party bank to act in this way – and deliberately wanted to find an excuse to de-bank him.

Mr W also doesn’t agree Co-op could close his accounts for using it for business purposes given he is a sole -trader and had been using it in this way for many years previously.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In April 2023, Co-op spoke to Mr W and asked him questions about some of the transactions on his account. Mr W felt Co-op was over-stepping and were being excessively intrusive by doing so. Later, Co-op sent Mr W a letter in which it said it was closing his account in 60 days’ time.

Unhappy with Co-op’s actions, Mr W complained. Co-op didn’t uphold Mr W’s complaint. In summary, it made the following key points pertinent to this complaint:

- Co-op has fraud prevention policies in place to protect its customers and itself. If payments are flagged, as was the case with Mr W, it is obliged to investigate. Such policies are regularly reviewed to ensure Co-op is complaint with relevant regulations in line with its risk appetite
- Co-op can’t uphold this part of Mr W’s complaint, as the questions asked of Mr W were in line with its fraud prevention policies. There’s an increasing number of sophisticated scams being perpetrated, so Co-op must take appropriate measures to protect its customers’ accounts
- Mr W’s account is for personal use only as per its terms and conditions. Mr W has said he uses the account for business purposes as a sole trader. This breaches Co-op’s terms and conditions
- There’s a credit balance on Mr W’s account, and Co-op had informed him in April 2023 to make alternative banking arrangements. Mr W didn’t withdraw his funds within the 60 days’ notice period. So he will have to visit a branch with ID to recover his funds of around £100

Mr W referred his complaint to this service. Our Investigator then started to look into his complaint. Co-op offered Mr W a compensation payment of £75 for any distress and inconvenience its letters caused for not making clear what would happen with his remaining balance. And for a call, in which Mr W was given incorrect information about how the remaining funds will be paid out.

Amongst other things, Mr W added Co-op closed his accounts as he's an unprofitable customer and he remains convinced there's some interbank communication which led to what happened. Mr W also maintains the first call he received from someone who said they were from Co-op was a scam call.

Mr W didn't agree £75 was appropriate compensation for Co-op misrepresenting what would happen with the balance of his account. Particularly as he was told, in writing, that he could withdraw his funds with ID in branch. And though the branch member was pleasant, he wasn't able to reclaim his funds.

Our Investigator then sent both parties what they thought was a fair resolution to Mr W's complaint. In summary, their key findings were:

- Having reviewed the information Co-op has provided in relation to closing Mr W's accounts, there isn't any reference to the third-party bank nor any prior intention to de-bank him
- Co-op's terms of account say it can't be used for business purposes, and there's no exception for sole traders. And though Mr W says he's been using his account for a long time in this way, this doesn't create an entitlement to continue doing so. Mr W was in breach of his account conditions
- Co-op was fulfilling its regulatory and legal obligations when asking Mr W about certain transactions. Such calls are made to ensure customers are using their accounts for legitimate purposes and to provide protection. So Co-op hasn't done anything wrong
- Having listened to the call, Co-op's sole purpose was to fulfil its legal and regulatory obligations, and this wasn't a pretext to force the closure of the accounts
- Mr W has presented arguments about the "bankification" of finances today and questioned the impartiality of this service given how its funded. But they can only comment on the specifics of his complaint against Co-op
- Co-op were entitled to close Mr W's accounts, both because he was using it for a purpose prohibited in the terms and as it couldn't fulfil its obligations when attempting to establish the purpose of the transactions
- Co-op has agreed to send the remaining funds electronically

Mr W didn't agree with what our Investigator said. He added that £75 wasn't sufficient compensation given how far he had to travel for what ended up being a wasted trip. Mr W said to put things right, Co-op should pay him £175 compensation and 8% interest on his funds.

Our Investigator put this to Co-op saying Mr W's proposal wasn't unreasonable. Mr W raised broader points about banks closing and off-boarding customers.

Co-op said it was happy to pay Mr W £175 compensation and 8% interest on his funds from 15 January 2024, the day he visited the branch, up and until settlement. But due to the type of account Mr W now had, its systems wouldn't allow it to do so electronically by transfer. So Co-op wanted to see if Mr W had another account and if not, a cheque could be sent to him.

Our Investigator relayed this to Mr W. They also made the following key points:

- They're not able to comment on the wider points Mr W has made about the conduct of banks
- This service isn't the regulator. We look at individual complaints and the broader de-banking issues Mr W has raised are regulatory ones

Mr W said he still wants to retain his right to take legal action against Co-op but wants an ombudsman to consider his complaint afresh.

As there is no agreement, this complaint has now been passed to me to decide.

What I've decided – and why

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr W and Co-op have said before reaching my decision.

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 have decided to uphold this complaint in part. I'll explain why.

Banks in the UK, like Co-op, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

I'd also add that banks have obligations to ensure they take appropriate measures to protect their customers from financial harm. Because of this, regulated businesses must take certain measures which may, at times, appear intrusive. This includes making appropriate enquiries with its customers about their banking activities.

Co-op reviewed and later spoke to Mr W about some of the transactions in his account. Having listened to this call, and what prompted these questions, I'm satisfied Co-op did so to fulfil its obligations. So though I can understand why Mr W found this intrusive, I don't think Co-op did anything wrong here.

Co-op is entitled to close an account just as a customer may close an account with it. But before Co-op closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which Co-op and Mr W had to comply with, say that it could close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Co-op gave Mr W 60 days' notice. But it appears from what I've seen that there may have been some restrictions on the funds he was able to withdraw. So I need to consider this in determining if Co-op acted fairly, and in line with its terms, when closing Mr W's accounts.

Co-op has explained and highlighted the terms of the account that relates to it not being used for business purposes. Mr W accepts he was doing so, and I've seen Co-op's internal system notes that show Mr W said he was using it in this way too. Mr W argues that as he had been using the account in this way for so long it should be treated as an established use and not reason enough to close the accounts.

Having given this some thought, I'm persuaded that closing the accounts for this reason, which is a breach of the terms, is fair.

Co-op has provided me information and a detailed explanation for why it closed Mr W's accounts in the way it did. I should add at this stage that Co-op is under no obligation to explain this to Mr W.

After taking all the information I've seen into consideration, which includes the type of accounts Mr W had, I'm persuaded Co-op has acted fairly, in line with the terms of the account, and its wider obligations when deciding to close Mr W's accounts.

I note Mr W has made several observations and comments that relate to banks in general - and the wider regulatory and political landscape. Our role at this service is to settle individual complaints between consumers and regulated businesses who provide financial services.

I believe it's also important to explain that it's not the role of this service to supervise, regulate or impose fines on any business. It's also not our role to ask a business to alter its procedures or enforce changes to policies. That's the role of the regulator, The Financial Conduct Authority. My remit here is to decide whether I think Co-op acted fairly and reasonably when applying those policies and procedures in the individual circumstances of Mr W's complaint. And that is what I have done here.

Co-op accept that it failed to communicate effectively with Mr W about what he needed to do to recover his funds. And this in turn has caused him some distress and inconvenience. Mr W proposed Co-op should pay £175 compensation and 8% interest for being deprived access to his funds.

Co-op accepted this was a fair resolution. Having considered the impact the information failings had on Mr W, which includes the wasted trip to branch, I too am persuaded this is fair compensation. Had Co-op done what it should have, then Mr W would have been able to use his funds from the day he visited the branch to withdraw them.

I know Mr W would prefer a bank transfer. But Co-op say the type of account he now has prevents it from being able to do so. If Mr W does have another account, he should provide this service with the details to pass on to Co-op. But if he doesn't, I don't think its unreasonable for Co-op to then send him a cheque in the post.

Lastly, I haven't seen anything that shows Co-op took the actions it did due to information or any coercion or collusion from another external bank. Nor have I seen anything that shows Co-op deliberately set out to find reason to close Mr W's accounts because his relationship with it wasn't profitable.

Putting things right

To put things right, Co-op must:

- Pay Mr W £175 compensation
- Pay Mr W 8% simple interest from the day he visited the branch, I understand this to

be 15 January 2024, up until settlement*

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

My final decision

For the reasons above, I have decided to uphold this complaint in part. I now direct The Co-operative Bank Plc to put things rights as set-out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 October 2024.

Ketan Nagla
Ombudsman