

The complaint

Mr B complains that Nationwide Building Society ('Nationwide') blocked and then closed his accounts without notice and didn't give him a reason why. He wants an apology, compensation and to know the reason for the closure.

What happened

Mr B had various accounts with Nationwide for a number of years.

At the end of September 2023 Nationwide wrote to him asking him to provide evidence in support of a number of payments in and out of his account over the previous months. Nationwide said it needed the information urgently. A few days later it decided to freeze the accounts.

Mr B said he spent hours collating the relevant evidence which he provided to Nationwide. Nationwide decided to close Mr B's accounts with immediate effect on 17 October 2023.

Mr B wasn't happy about this and complained while the accounts were still frozen and under review. Nationwide didn't uphold the complaint and said its actions were in line with its terms and conditions and its legal and regulatory obligations.

Mr B didn't agree and so he brought his complaint to our organisation. He said that he was a minor, and therefore vulnerable, at the time and that Nationwide didn't follow the Financial Conduct Authority's (FCA) guidance in relation to vulnerable customers when dealing with him. He said he was at school when Nationwide emailed him to say his accounts had been frozen. He said he had no money for food, couldn't pay for travel etc. He said he was also forced to borrow money from friends and family and didn't know when he'd be able to pay them back as Nationwide couldn't provide him with timescales. He said this was humiliating and put a strain on his relationships. He added that the freezing of the accounts and the closures impacted his business where he buys and sells products for a profit. He said he urgently had to make other banking arrangements and change direct debits at short notice.

Mr B also said Nationwide didn't show any sympathy, asked questions which violated his privacy and also didn't try to involve his parents at any point. He said he lost earnings and suffered from stress and anxiety. He added that this also impacted his studies as he wasn't able to concentrate. Mr B said he wants compensation, an apology and to know the reason for the closures.

One of our investigators reviewed the complaint. She firstly said that being under 18 years old wouldn't necessarily mean that a customer is vulnerable and that other things would be taken into consideration such as the ability to run a business, operate an account etc.

Our investigator went on to consider the complaint but she didn't think it should be upheld. She said that Nationwide's actions were fair and reasonable. She thought Nationwide had treated Mr B fairly and added that she hadn't seen any evidence that he had asked for his parents to be involved but they weren't allowed to.

Mr B didn't agree and said he wanted to know why his accounts had been closed. He asked for an ombudsman's decision and the matter 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.

It might be helpful if I start off by explaining that our service doesn't punish or fine businesses, and it's also not our place to say that a procedure the business follows is incorrect. Only the industry regulator, the Financial Conduct Authority (FCA), can do this. As our investigator said, Nationwide 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.

I should also explain that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons- for example, if it contains security information, or commercially sensitive information. Some of the information Nationwide has provided is information that we considered should be kept confidential. This means that I haven't been able to share a lot of detail with Mr B, but I'd like to reassure him that I have considered everything.

Nationwide will review accounts to comply with these responsibilities. 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.

I've also considered the basis for Nationwide's review, which I find was legitimate and in line with its legal and regulatory obligations. Having reviewed all the evidence, including the information Nationwide 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 froze Mr B's account on this occasion.

I should also add that I don't think Nationwide is under any obligation to disclose to its customers what triggers a review of their accounts. For this reason, I can't say that it's done anything wrong by not giving Mr B this information. And it wouldn't be appropriate for me to require it to do so.

Nationwide's terms and conditions say that it can close an account by giving notice or with immediate effect in certain circumstances.

Having looked at all the evidence and the terms and conditions I'm satisfied that Nationwide was acting fairly and reasonably when it decided to close the account with immediate effect. Nationwide 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 Nationwide's decision around closing Mr B's account was unfair or anything other than a legitimate exercise of its commercial discretion.

Nationwide asked Mr B to provide evidence in support of certain transactions, statements from an external account as well as payslips. Mr B provided some of this information, but Nationwide proceeded to close the accounts in any event. From what I have seen I don't think this was unfair or unreasonable. I say this because, as far as I can see, not all the information requested was provided. And I think Nationwide made it clear to Mr B what information it required. But, in any case, for the reasons I provided in the paragraph above, I think Nationwide's decision to close the accounts was fair and reasonable.

For completeness, I will also say that I thought the information Nationwide asked for was fairly standard and I think it was information it needed to comply with its legal and regulatory obligations. I note Mr B felt the information was private, but I don't think Nationwide has done anything improper in the circumstances.

Mr B wanted his accounts to be reopened but in light of the above I've decided not to ask Nationwide to reopen them. It's generally for financial institutions to decide whether or not they want to provide or continue to provide banking facilities to a particular customer. Each financial institution has its own criteria and risk assessments for deciding whether to open or close accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there is a very good reason to do so, this service won't usually say that a financial institution must keep a customer or require it to compensate a customer who has had their account closed.

Mr B said that he suffered losses as a result of his accounts being restricted and then closed. He said he wasn't able to carry on trading which meant his business suffered losses. He also said that the whole situation caused him a lot of distress, he had to borrow money from friends without knowing when he'd be able to pay them back, he was distracted from his studies etc. I fully appreciate that the events would have been distressing for Mr B and that it would have been frustrating having his accounts closed without being given a reason why. But as I don't think Nationwide has acted unfairly or unreasonably in freezing and then closing the accounts, I am not minded to make an award for compensation in Mr B's favour.

Mr B said that he should have been considered to have been a vulnerable customer due to the fact that he was a minor at the time and due to his lack of financial experience. I have considered what Mr B has said but I don't think that Nationwide dealt with him in a way which was unfair or unreasonable. I say this because, as our investigator said, factors such as his ability to communicate easily with Nationwide, to run a business, manage his accounts etc would have been taken into account. I don't think Mr B's age would have been a factor here and I don't think it necessarily made him susceptible to harm. Mr B said that it would have been easier for him if his parents had been involved but as our investigator said there is no evidence that such a request was made and refused by Nationwide.

Overall, I appreciate that Mr B would have been frustrated and also inconvenienced by Nationwide's decision to close his account. And it must have been disappointing to be told that Nationwide didn't wish to offer him its services anymore. So I appreciate he will be disappointed with my decision. But for the reasons I provided above, I think Nationwide's decision to close the accounts immediately was fair and reasonable.

My final decision

For the reasons above, I have decided not to uphold this complaint.

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

Anastasia Serdari
Ombudsman