

## The complaint

Mr A complains that Starling Bank Limited ('Starling') blocked and then closed his bank account without explaining why. He would like compensation for the inconvenience he was caused and also for the account to be reopened.

## What happened

Mr A opened an account with Starling in 2019. Starling restricted the account on 6 December 2023 and wrote to Mr A to ask questions regarding certain transactions. Mr A responded without delay and provided further information. He said some of the payments were gifts from family, others were in relation to money he owed friends as well as refunds he'd received in relation to clothes purchases.

Mr A wasn't happy about his account being restricted and complained. He said he was getting married and needed access to his funds for his expenses. He said he was also not able to buy food etc.

Starling continued to review the account and asked for further information and documentation. Mr A repeated some of his earlier responses and provided some documentation including invoices. He said in relation to the gifts he'd received from family, those were made further to face-to-face conversations and so he wasn't able to provide evidence in support.

On 22 December 2023 Starling told Mr A that it had decided to close his account. It said it would do so on 21 January 2023 and allowed Mr A this period to transfer his funds out of the account. It also said that direct debits, credits and payments out had been enabled in the meantime.

Starling then responded to the complaint, but it didn't uphold it. It said that during its review, information had come to light which was of concern to it. It said its actions were in line with its terms and conditions which enable it to close an account immediately in certain circumstances.

One of our investigators reviewed the complaint and thought it should be upheld in part. He said that Starling was acting in line with its terms and conditions and its legal and regulatory obligations when it restricted and closed the account. But he thought there were delays while the account was restricted and awarded 8% interest on the account balance between 16 and 22 December 2023.

Starling agreed with our investigator but Mr A didn't and asked for an ombudsman's decision. He didn't think our investigator's award reflected the amount of inconvenience he'd suffered. The matter was then passed to me to decide.

Before I issued my decision our investigator asked Mr A if he had any evidence in support of the negative impact he said not having access to his account had on him. Mr A didn't respond by the deadline. We allowed a further week or so but as there was no response I decided to proceed with my decision. We made Mr A aware of this.

### **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, 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. 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. It's terms and conditions also allow it to restrict or block accounts in certain circumstances.

I've also considered the basis for Starling's review, which I find was legitimate and in line with its legal and regulatory obligations. 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 froze Mr A's account on this occasion.

I should also add that I don't think Starling 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 A this information. And it wouldn't be appropriate for me to require it to do so.

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

Having looked at all the evidence and the terms and conditions I'm satisfied that Starling was acting fairly and reasonably when it decided to close the account by giving a month's notice. Starling said that the account was restricted on 6 December 2023 but most restrictions were lifted by 22 December 2023. Mr A was allowed a further month to transfer his funds and as the account was mainly unrestricted over that time, I did not consider this to be an immediate closure. I thought Starling providing notice before closing the account was fair and reasonable and though it didn't give Mr A two months' notice, in these specific circumstances, I didn't think this was unreasonable. I say this because in its letter it asked

Mr A to let it know if he wasn't able to transfer his funds out within that timeframe. Also, from what I have seen, Mr A was able to transfer his funds out of the account weeks before the account was closed so even if longer notice had been given, this wouldn't have been necessary. 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 A's account was unfair.

Mr A wants his account to be reopened but in light of the above I'm not considering asking Starling to reopen it. 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.

Starling restricted the account on 6 December 2023 and completed its review by 22 December 2023 when upon it lifted most of the restrictions it had placed on the account. I can see that it was corresponding with Mr A between 6 and 16 December 2023, asking him for further information and evidence. Nevertheless, I can't see that any meaningful action was taken between 16 and 22 December 2023 so I think there was a delay over this period. Starling has accepted this. Had action been taken sooner I think, on balance, the restrictions would have been lifted by 16 December 2023 and Mr A would have been able to access his funds earlier.

Mr A was deprived of funds in his account for several days, between 16 and 22 December 2023. This is money that he should have had available to him to use as he wanted. I can't say for sure what the specific cost of not having these funds available would be. It will have influenced a whole host of decisions about spending and borrowing over that time. With that in mind I'm satisfied awarding 8% simple interest on the amount for the period that it wasn't available to Mr A, is appropriate. It is a reflection of the cost of being deprived of these funds. It's also in line with the statutory interest rate on judgment debts.

Mr A said that he was greatly impacted by Starling's decision to restrict and then close his account. He said that he couldn't buy food over this period and also that the restriction impacted what he could pay for in preparation for his wedding which was imminent. As I said above, I thought Starling's decision to restrict and then close the account was fair and reasonable. And I didn't think Starling caused any unreasonable delays other than between 16 and 22 December 2023. So, if I were to award compensation it would only be over that period. We have asked Mr A for evidence in support of the impact the restrictions had on him but we weren't provided with any. So, in the absence of evidence in support, I am not able to make a further compensation award to Mr A.

Overall, I appreciate that Mr A would have been frustrated and also inconvenienced by Starling's decision to close his account. And it must have been disappointing to be told that Starling 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 Starling's decision to restrict and close the account was fair and reasonable.

### **My final decision**

For the reasons above, I am upholding Mr A's complaint in part. Starling Bank Limited must pay Mr A 8% simple interest per year on the account balance, calculated from 16 to 22 December 2023.

HM Revenue & Customs requires Starling Bank Limited to withhold income tax from the above-mentioned interest. Starling Bank Limited should give Mr A a certificate showing how much is taken off if Mr A asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 29 August 2024.

Anastasia Serdari  
**Ombudsman**