

The complaint

Mr T complains that J.P. Morgan Europe Limited closed his account without notice or good reason and that it delayed returning funds to him. J.P. Morgan Europe Limited operates in this case under its Chase brand.

What happened

Mr T held a Chase account. On 1 May 2023 Chase wrote to him to say it was closing his account with immediate effect. It later explained that it had done so because another bank had said that one of its customers had claimed that some of their money had been paid into Mr T's account without authority.

Mr T provided Chase with details of the account to which he wanted the balance of the account to be transferred. The transfer was not however made until March 2024 – some ten months after the account had been closed. Chase acknowledged that, due to an error on its part, there had been a delay in releasing funds. It paid Mr T £150 in recognition of that, along with interest at 8% on the account balance from 1 May 2023 to 5 March 2024.

Mr T did not believe that was sufficient to put things right and referred the matter to this service. One of our investigators considered what had happened, but said in a preliminary assessment that he was satisfied that the compensation awarded was fair. Mr T did not accept that assessment and asked that an ombudsman review the case. He said that his losses were greater than the compensation Chase had paid, in part because he had incurred interest on his credit card as a result of not having funds to repay the balance.

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 is generally for banks to decide whether to provide, or to continue to provide, account services to any particular customer. They can exercise their commercial discretion in such matters and, as long as that discretion is exercised legitimately, this service won't usually intervene. I have considered that issue here, and am satisfied that Chase's decision to close Mr T's account was a legitimate one.

Mr T has said that the funds which were the subject of the claim against his account represented repayment of money he had lent a customer in the store where he worked. He had paid for goods with his credit card and been repaid, but the customer then claimed the money back through their bank. Mr T provided evidence of the purchase, which appeared on his credit card statement.

Mr T's account of events may well be truthful, and it's possible that the claim made against his account was dishonest. But I don't believe Chase needed to investigate the exact circumstances of that claim before deciding to close his account. It was a legitimate decision to take.

A bank should give reasonable notice before closing a customer's account. What's reasonable depends on the circumstances, but in this case I think that it was reasonable to close the account with immediate effect. Chase's account terms made provision for it to do so.

Chase accepted that there were delays in releasing funds, and that it was responsible for them. I have therefore considered whether the compensation it paid was sufficient in the circumstances.

The usual way of compensating someone who has been deprived of funds is by paying interest on those funds for the time they have been withheld. The Financial Ombudsman Service often uses a rate of interest of 8% a year. That is in line with the rate which generally applies to court judgments and is intended to represent a typical borrowing rate, not a savings rate.

In some cases, it may be appropriate to use a different rate. For example, if a customer is in fact paying interest in circumstances where, but for a bank's error, they would not be paying interest, it may be appropriate to use the actual rate paid. That might be higher or lower than 8%.

In this case, Mr T said that Chase's actions meant that he had to pay credit card interest, amounting to very much more than the interest element of Chase's payment to him. The investigator – at my request – asked Mr T to provide copies of his credit card statement, so that I could investigate that claim. He has however declined to do so. In the circumstances, I am not persuaded that there is any reason to use a rate other than 8% a year. It follows that the compensation which Chase paid was fair, and I don't require it to do any more to resolve Mr T's complaint.

For the sake of completeness, I am satisfied too that Chase calculated interest on the correct account balance and that the additional payment of £150 was reasonable in the circumstances.

My final decision

For these reasons, my final decision is that I do not uphold Mr T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 31 December 2024.

Mike Ingram
Ombudsman