

The complaint

A company I'll call T complains that ClearBank Limited (Tide) blocked its account, without providing advance warning, then closed it without notice and withheld the account balance.

T is represented by its director, Mrs Q.

What happened

On 3 July 2024, Tide blocked T's account while it carried out a review. The block meant T couldn't access its account and couldn't make or receive payments. Mrs Q complained, saying Tide wasn't allowed to take such actions without notifying her first. Tide maintained the block though and didn't uphold the complaint. It issued a final response to T's complaint on 11 July 2024, saying it was entitled to block and review the account and that it had told Mrs Q that it had done so in an email of 3 July 2024.

Tide then issued T with an immediate notice to close its account on 19 August 2024, in which it said it would be returning a payment of £1,001 to the original sender, as part of a recall notice it had received. It asked Mrs Q to provide bank details for where she wanted the account balance of £3,100.79 to be paid. However, when Mrs Q provided the details requested in the format requested, Tide continued to hold onto the funds.

Unsurprisingly, Mrs Q remained unhappy, so she brought T's complaint to our service. She explained that she didn't recognise the payment of £1,001 that had gone into T's account, and she was concerned that she had been hacked. And she said the block had caused T's business to suffer, so she wanted Tide to pay compensation.

Our Investigator was satisfied that Tide was entitled to block the account while it carried out its review. And she was satisfied that Tide hadn't made an error in closing the account. But she didn't think it had justified its decision to close the account *without notice*, and she felt Tide could have concluded its review by 19 August 2024. With that being the case, she upheld T's complaint. To put things right, she said Tide should release the account balance due to T, pay interest at the rate of 8% on the balance from 19 August 2024, until the date of payment, and pay £300 to compensate T for the inconvenience caused.

Tide agreed to our Investigator's findings, but Mrs Q didn't. She said T would incur costs in reconciling the accounts as a result of Tide's actions and said T experienced a downturn in business in two of the three months after the block (August and September) when T took half the business it usually would do. She also complained that T had suffered damage to its reputation, and that she had spent many hours trying to rectify the problems caused.

Mrs Q provided a profit and loss report showing the following sales, month by month, from 2024:

- April £18,260;
- May £29,520;
- June £30,485;

- July £25,064;
- August £14,325;
- September £11,066;
- October £24,725; and
- November £20,752

Mrs Q didn't state how much she was claiming in lost profits, but went on to say that she had suffered damage to reputation and that her credit history had been affected by all of this. Although she didn't provide further details or evidence in support.

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.

Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do. This approach simply reflects the informal nature of our service as a free alternative to the courts.

And 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 in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mrs Q and Tide have said, before reaching my decision

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of T, I would need to be satisfied that Tide acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence it relied on in reaching its decision to block and review T's account, I'm satisfied Tide acted in line with its legal and regulatory obligations when it did so. And that it was entitled to take such actions under the account terms and conditions that governed the relationship between Tide and T.

Because I'm satisfied Tide was entitled to block T's accounts, I won't ask it to compensate T for doing so, given it did nothing wrong.

However, having reviewed the evidence Tide provided our service to demonstrate the actions it took during the review, I'm not persuaded that it released the account funds in a timely manner.

Based on the information Tide has provided our service, it seems as though it had completed its review by 19 August 2024, being the date on which it wrote to T to give notice of its decision to close T's account. Tide explained that it didn't release T's funds because Mrs Q hadn't provided a bank statement in PDF format. But I can see that it still didn't release the funds, even when Mrs Q did so. And it only released the funds after corresponding with our Investigator. So, I'm not persuaded that Mrs Q's failure to provide the correct information was the cause of the delay in releasing T's funds.

Because of what I've said above, I'm going to tell Tide to compensate T. And I'll address what compensation it should pay at the end of this decision.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account. The terms of business that governed the relationship between Tide and T provide for the circumstances in which Tide can end its relationship with T. It says Tide can do so by providing two month's advance notice, or without notice in certain circumstances.

Tide issued its notice to close on 19 August 2024, stating that it would be closing T's account. The block was still in place and T didn't have access to its account again, so it received no notice period during which it could make alternative banking arrangements. Tide isn't obliged to disclose the reasons for its decision to Mrs Q, so I can't reasonably tell it to do so, given that it doesn't want to.

And, having reviewed the evidence Tide has provided our service to demonstrate it acted in line with its terms of business, I'm satisfied it was entitled to close T's account. However, I haven't seen sufficient evidence to justify an immediate closure in line with the terms of business, so I agree with our Investigator that Tide should have given T two months' notice of its intention to close T's account.

Compensation

In assessing what compensation should be payable, I've considered the impact Tide's actions had on T and I've reviewed what Mrs Q has told our service about the losses claimed as a result. I can see from the profit and loss statement Mrs Q provided that T was able to continue trading throughout July, August and September and beyond. And Mrs Q told our service that she was able to borrow funds from elsewhere and use a savings account to tide her business over.

Mrs Q told our Investigator T suffered damage to its reputation and credit file, but didn't provide further details or evidence. She also provided a profit and loss statement that showed total sales dipped in August and September from £25,064 the month before to £14,325 and £11,066. But she hasn't produced any evidence to demonstrate that the reduction in sales was caused by Tide's actions. Or that such a reduction in sales is atypical for T.

The profit and loss statement alone isn't evidence that Tide's actions caused T to lose money. It simply shows that T received less money in August and September, without demonstrating that that was because of Tide's decision to block and close T's account. While the sales for August and September were the lowest of the months provided, the monthly figures fluctuated throughout the year, so the very fact that receipts were less in two months isn't evidence of a loss caused by Tide.

And I note that sales were still relatively high (£25,064) during the first month of the block, so there isn't a clear pattern showing receipts were down while the account was unavailable.

Further, Mrs Q has said she was able to borrow money and indeed I would expect a profitable business with a turnover of circa £200,000 to be able to borrow £3,000 (being the approximate balance held by Tide) quickly and without much difficulty. I'm not clear if Mrs Q was able to arrange such short-term finance, but if she did then she will have successfully mitigated her losses. And if she didn't, I would question whether she took reasonable steps to mitigate her losses, given what I've said above.

Mrs Q also said that clients were only willing to pay for T's reports on receipt during the period in question (presumably as opposed to in advance). But that would simply be delayed receipt of funds and not evidence of T losing out on sales. I can understand that T might have suffered *some* damage to reputation, but I haven't seen any evidence of such harm and so I can't reasonably make an award to recognise that. The same goes for Mrs Q's claim that T's credit rating was impacted.

When reviewing this complaint, I have considered whether Mrs Q has been given a reasonable opportunity to submit evidence of her claimed losses. And I'm satisfied that she has. In November 2024, Mrs Q told our Investigator that she didn't feel we had the full picture of the financial implications on T, and she said figures hadn't been requested of her. Our Investigator replied, inviting Mrs Q to submit any further evidence she wished me to consider by return and Mrs Q replied attaching the profit and loss statement I've mentioned above.

In any event, it's hard to imagine that T would have suffered a loss greater than the award our Investigator recommended, given what I've said above about mitigation and causation.

And based on the evidence I've seen, I'm satisfied that a payment of £300 represents fair compensation for the inconvenience T experienced here, given the issues took a reasonable effort to sort out.

While Mrs Q hasn't been able to evidence losses caused by Tide depriving T of its account balance, it stands to reason that depriving a business of access to £3,100.79 for three months will cause it to suffer some loss. So, to compensate T for that, Tide must pay T interest at the rate of 8% on the account balance of £3,100.79 from 19 August 2024, being the date it completed its review and should have released the funds, to 18 November 2024, being the date it initiated payment of the funds to T.

My final decision

My final decision is that ClearBank Limited must pay T:

1. £300 in recognition of the inconvenience it caused; and
2. Simple interest at the rate of 8% on the sum of £3,100.79 from 19 August 2024 to 18 November 2024.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 23 July 2025.

Alex Brooke-Smith
Ombudsman