

## **The complaint**

A complains Starling Bank Limited unfairly restricted and closed its account.

A is represented by a director – Mr A.

## **What happened**

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

A held a business account with Starling. On 14 June 2024 the account was restricted, and Mr A was contacted with a list of queries regarding the business account and activity within it. Mr A responded on the same day and contacted Starling for an update on the account. On 18 June 2024 Starling explained the account was still under review and would continue to be restricted.

Mr A noted the funds within his account were no longer present. Starling explained on 20 June 2024 that the funds had been moved to a locked space whilst the review was conducted. On 28 June 2024 Starling completed its review and closed the account immediately. It informed Mr A that the balance in the account would be returned within the next 30 days.

Starling raised a formal complaint about the handing of his account. In its final response to Mr A sent on 6 August 2024 Starling explained it had restricted the account in line with the account terms and its regulatory duties. It said it didn't have to provide Mr A with reasons for the restriction and closure, and that the correct procedures had been followed. It offered Mr A £150 for the poor communication he received when Starling moved funds within the account to a holding account.

Mr A remained unhappy and referred his complaint to this service. An Investigator reviewed the complaint, and in summary, made the following findings:

- Starling acted in line with their legal and regulatory obligations and didn't need to give notice of the review.
- Starling has the right to ask questions about the account activity and funds within in.
- The account closure was carried out in line with the account terms.

Mr A disagreed, and explained he is unable to answer questions which are factually incorrect and Starling's decision to remove funds from his account caused distress as he thought A had been defrauded. The Investigator reviewed these points, but their overall opinion remained unchanged. As no agreement could be reached, the case has been referred to me – an ombudsman – for a final decision.

## **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.

I appreciate Mr A was disappointed by the Investigator's opinion. I'd like to reassure Mr A that I've considered the whole file and what's he's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. I can assure Mr A have read all his submissions.

I'll start by setting out some context for the review of A's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. In A's case I'm satisfied Starling was complying with these obligations when it reviewed Mr A's account.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether Starling has treated A fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

Starling initially restricted A's account in mid-June 2024. A's account terms and conditions also allow Starling to block the account to ensure it's able to comply with its regulatory requirements. I understand Mr A's frustration with the block, and I don't doubt it would've had a detrimental impact on him and A. However, based on the information disclosed by Starling I'm satisfied it acted fairly by blocking A's account and had no obligation to tell Mr A the basis of its concern or forewarn him of its intention to carry out such a review.

As part of its review Starling contacted Mr A and asked for further information regarding its business activities and source of funds within the account. In its email to Mr A on 14 June 2024 it asked about payments coming into the account, asked about business contracts, and the role of a specific individual within the business who had received payments. Mr A provided some details, but these weren't sufficient to remove the block. A key part of Mr A's complaint is that the information requested by Starling was unreasonable – he says he answered the factual questions, but some of the information requested was unnecessary and inappropriate. I've considered the information Starling requested and I consider it to be in line with the type of evidence banks require when carrying out an account review. The questions were clear and direct, and I can see Starling has asked for multiple sources of information to ensure it builds up a clear picture of the business account activity.

I must also highlight that it is for Starling to determine the nature of the information and evidence it requires to ensure it is able to satisfy its legal and regulatory obligations. My review of the information provided to Starling has led me to the same conclusions it reached – the evidence didn't clearly establish a legitimate source of the funds within the account, and subsequent account activity.

Starling review of A's account led to its ultimate decision to close the account. Starling is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Starling should have in place. I can however, while

considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly. Given its regulatory and legal obligations, I'm satisfied Starling's decision was made fairly.

The terms and conditions of A's account set out that Starling can close the account immediately in certain circumstances. For Starling to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, I'm satisfied that Starling did.

I've thought carefully about Mr A comments about Starling's decision to withhold his funds. Mr A says the funds were moved from his account and this caused confusion as he wasn't sure if he had been a victim of fraud. Starling accepts it should've communicated better here. Mr A says the lack of access to these funds had a significant impact on A's business. I appreciate Mr A's strength of feeling about this issue, but as explained above Starling's legal obligations are extensive. It must be satisfied Mr A is legitimately entitled to the funds within the account before it releases them. The information provided by Starling shows that its checks had been completed, and it sent the funds back to A on 8 July 2024. There was a slight delay as Starling had issued a cheque, and this needed to be cancelled before a transfer could be made. I've considered the timeline of events, and I can't see that Starling caused any avoidable delays in returning the funds to A.

Starling offered A £150 in recognition of the service issues experienced – specifically the lack of information given about the account block and the funds within the account. Firstly, I must highlight that as this is a complaint brought by A – a limited company, my focus is the impact the issues had on it, not on Mr A in a personal capacity.

Mr A says the £150 offered is derisory. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses and their fundamental aim is to recognise the impact on a consumer where there have been shortcomings. Having considered the timeline of events, I think the compensation is reasonable and I don't find Starling's actions warrant further compensation as the evidence available shows it acted reasonably in the circumstances.

I am also mindful of Mr A's comments regarding Starling's regulatory obligations under the FCA's Consumer Duty principles. I'd like to assure Mr A that in considering what is fair and reasonable in all the circumstances of the case, I've taken into account all relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and where appropriate what I consider to have been good industry practice at the relevant time. This includes taking into account Consumer Duty principles, and Starling's obligations under these.

I must also highlight It is the role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. We do not perform the role of the industry regulator, and it is not our role to comment on how businesses conduct their operations. That's the role of the regulator, the Financial Conduct Authority (FCA). For these reasons I won't be responding to Mr A's specific comments regarding Starling's general procedures and policies.

I'm sorry this isn't the outcome Mr A hoped for, and I know he will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Starling to take any further action or compensate A.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 9 July 2025.

Chandni Green  
**Ombudsman**