

### **The complaint**

P, a limited company complains that The Co-operative Payments Bank Plc (Co-operative) closed its accounts and didn't return money paid into the account back to it, so it has lost out financially.

P's complaint has been brought to our service by its director, Miss B.

### **What happened**

The detailed background to this complaint is well known to both parties. As such, I'll provide only an overview of the most essential facts here.

P had business accounts with Co-operative.

In October 2023, P received two payments totalling just under £2,200 into its current account from an individual I will refer to as Mr C. Miss B says P received the funds in exchange for services and goods P provided to Mr C during a party.

Following the payments being made, Co-operative were notified by Mr C's bank that the payments he'd made to P were fraudulent.

Co-operative asked Miss B about the transactions and to provide evidence that P was entitled to the money it had received from Mr C. Co-operative also reached out to Mr C's bank for more information about the payments.

Miss B told Co-operative that both payments were legitimate, and she hadn't done anything wrong. She said Mr C was

known to her and other members of P's staff. She said the costs for the services P provided could be found on P's website and she couldn't provide any invoices. Co-operative looked at all the information. The end result of the review was that Co-operative decided to return the funds Mr C had paid into P's account back to the sending bank. Co-operative also decided to close all of P's accounts immediately.

Miss B complained to Co-operative and asked them to refund the money. In response Co-operative said it hadn't done anything wrong and wouldn't be returning the funds to P. And it pointed out that there was provision for them to do this in the account terms and conditions. It also said it had closed P's accounts in line with the terms and conditions of the accounts.

Miss B wasn't happy with this response. She said Co-operative shouldn't have returned the funds to Mr C because the money belonged to P. And P is now out of pocket. Miss B said she'd never acted fraudulently, and that Mr C was being dishonest making fraud allegations. She also said that she'd spoken to the police who told her it was a civil matter. So, she feels Co-operative treated P unfairly and should return the funds to P. Co-operative reviewed its decision but maintained its position.

Miss B remained unhappy, so she brought P's complaint to our service. She says that she hasn't done anything wrong and provided screenshots of messages between Mr C and her staff to show that Mr C wasn't telling the truth about what had happened.

An investigator reviewed P's complaint. After reviewing everything they said Co-operative hadn't treated P unfairly when it had sent the money back to Mr C's bank and closed its accounts.

Miss B disagreed. She maintained that the money paid into P's account by Mr C account was legitimate. So, she wants the money returned.

As no agreement could be reached the matter has come 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.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks and financial businesses as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Co-operative has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Miss B, but I'd like to reassure her that I have considered everything.

I'll deal first with Co-operatives decision to close P's accounts. As the investigator has already explained, banks and financial business in the UK, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. That sometimes means Co-operative need to review, or in some cases go as far as closing customers' accounts.

I've next gone on to consider whether Co-operative acted fairly when it closed P's accounts. It's generally for banks and financial businesses to decide whether or not they want to provide, or to continue to provide, account facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank or financial business must keep customer or require it to compensate a customer who has had their account closed.

Co-operative is also 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 Co-operative 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 banks and financial businesses 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 account services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Co-operative have relied on the terms and conditions when closing P's accounts. I've reviewed the terms, and they explain that Co-operative can close an account for any reason by giving two months' notice. In certain circumstances, Co-operative can also close the accounts without notice. Here Co-operative closed the accounts immediately.

For Co-operative 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, including the information Co-operative has provided to this service in confidence, I'm satisfied that Co-operative did. And that it was entitled to close the accounts as it's already done. So, I can't conclude that Co-operative treated P unfairly when it closed its accounts.

The crux of Miss B's complaint is that she wants Co-operative to refund P the money she says she lost as a result of Co-operative sending Mr C's payments back to the sending bank. Co-operative decided to return the funds to Mr C's bank and have explained it did this on the basis of the outcome of its

review of P's account, their legal and regulatory obligations, and the information it had received from Mr C and his bank. It also said there is provision in the terms and conditions of P's account which allowed them to do this. The effect of Co-operative's actions meant that P has lost the money it had expected in payment for goods and services it provided to Mr C.

Co-operative have relied on the terms and conditions of the account to return the money which states under section 10.3 'If we reasonably believe that a payment into your account was made as a result of fraud, we'll remove the payment or take other steps to make sure the amount of the payment is not available for you to use.' Section 10.5 goes onto state: 'We don't need your permission to take the money out of your account.'

Co-operative had received a report from Mr C's bank asking for the money paid into P's Co-operative account to be reversed. The report set out that Mr C had been a victim of fraud. Any allegation is a serious matter, so I'd expect Co-Operative to investigate before deciding how best to react to such a report, which is what it did here.

I've taken on board what Miss B has said about the transactions and looked at the evidence she has provided that she says shows P is entitled to the money that Co-operative sent back to Mr C's bank. I do have some concerns that this shows what Miss B suggests, I say this because when she was first asked by Co-operative, she said she couldn't provide any invoices of the goods and services she says P provided Mr C.

I find this odd given Miss B is running a business. And invoices are a usual requirement. I don't know why she has now been able to provide the paperwork and wasn't able to do so at the time. This leads me to doubt the credibility of Miss B's version of events.

Co-operative has also shown our service the information it looked at as part of its review, it's explained its rationale in weighing that information and it's demonstrated how it reached its decision to comply with the request Mr C's bank made, which includes information it has provided to our service in confidence.

Having reviewed everything Co-operative and Miss B has told our service, I'm satisfied Co-operative acted reasonably in returning the funds to source, and that it was acting in accordance with its overriding legal and regulatory obligations when it did so. And the terms of P's account. So, I'm satisfied that it was appropriate for Co-operative to return the money. I appreciate Miss B wants to understand more about the reasons for Co-operative's decision. But Co-operative isn't obliged to provide an explanation for its decision to Miss B, and it wouldn't be appropriate for me to compel it do so.

I should emphasise that, in reaching that conclusion, I am not suggesting any dishonesty on the part of Miss B. It may well be that she is an unwitting player (and victim) in a more complex set of circumstances, and that she has in fact lost out as a result. What I must do, however, is decide what I consider to be fair and reasonable in all the circumstances. Given that, assuming the transactions Mr C made were genuine, Miss B has other possibilities for recovering P's money

In summary I am satisfied that Co-operative has not acted inappropriately or incorrectly. I realise Miss B would understandably like the funds that were paid into P's account returned to her and feels very differently. But based on all the evidence and circumstances of this complaint, I don't believe I can fairly direct Co-operative to refund any money to Miss B.

I appreciate Miss B feels strongly about her complaint and I am sorry to have to disappoint Miss B on this occasion. I hope she

understands the reasons for my decision and at least feels she has been listened to. But I won't be asking Co-operative to anything more to resolve P's complaint.

**My final decision**

For the reasons I've explained, my final decision is that I do not uphold P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 12 February 2025.

Sharon Kerrison  
**Ombudsman**