

The complaint

P, a limited company complains that The Co-operative Bank Plc (Co-operative) blocked its accounts.

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.

I'm aware that Miss B has brought two complaints to our service on behalf of P.

This decision will focus on Miss B's complaint about the block Co-operative applied to Ps' accounts. Miss B's complaint about Co-operative returning funds to source and closing Ps' accounts have been dealt with separately.

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. In response to this report Co-operative blocked P's account and reached out to Miss B for information.

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.

In November 2023, 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 to Mr C 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 removed the block from P's accounts on 6 December 2023.

Miss B complained to Co-operative. In response Co-operative said it hadn't done anything wrong when it had blocked P's accounts. And it pointed out that there was provision for them to do this in the account terms and conditions. However, Co-operative accepted it could have unblocked P's accounts sooner than it did. And paid Miss B £100 compensation for any inconvenience this had caused P.

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. So, she says Co-operative shouldn't have blocked P's accounts.

An investigator reviewed P's complaint. Whilst they were looking into things, Co-operative offered P a further £150 to put things right. But Miss B said this wasn't enough. She maintained that the money paid into P's account by Mr C

account was legitimate. And Co-operative had no right to block P's account.

After reviewing everything, the investigator thought the total offer of £250 compensation Co-operative had offered was fair for the inconvenience caused by the delays. But he thought the bank should also pay interest on P's account balance for loss of use of the funds between 14 November and 6 December 2023.

Co-operative agreed. Miss B didn't. She wants more compensation.

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.

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 blocking and closing customers' accounts.

I want to make it clear that I understand why what happened concerned Miss B. I've no doubt it would've come as quite a shock to her, and she would've been very worried to find out that P's account had been blocked. But I've also considered the basis for Co-operative's review and decision to block P's account when deciding whether Co-operative treated P fairly.

Fraud is a serious matter. Co-operative had been contacted by another bank who told them, P had received fraudulent funds into its account. Based on this I'm satisfied that Co-operative's decision to block P's account was therefore legitimate and in line with its legal and regulatory obligations. Doing so also enabled Co-operative to consider how best to react to the information it had received from the sending bank about the money that had been paid into P's account by Mr C. The terms and conditions of P's account also make provision for Co-operative to review and suspend an account.

Having looked at all the evidence, and circumstances I'm satisfied that Co-operative have acted in line with the terms when it blocked P's account. And that it acted fairly when it decided to block the account.

Whilst Co-Operative is entitled to block and review a customer's account, I'd expect them to do so in timely manner. P's account was blocked from 8 October until 6 December 2023, which, I accept is a long time.

I can see that Miss B had provided all the information she could by 14 November 2023, in response to the bank's requests, so it's not clear to me why it took until 6 December 2023, for Co-operative to remove the block from P's account. With this in mind, I'm satisfied that there have been delays during the review process. And that as a result P was caused deprived of the funds in its account for longer than necessary.

Miss B has said that the block to P's account made running her business difficult and that direct debits went unpaid. So, I'm satisfied that P was caused inconvenience by the Co-operative taking too long to remove the block on P's accounts.

Co-operative has acknowledged its errors in this case and agreed to pay £250 compensation in recognition of its poor service caused P. It has also agreed to pay P 8% simple interest per annum for loss of use of the funds in P's account between 16 November and 6 December (not including the funds that were returned to source).

Miss B says this isn't enough. But I'm satisfied that £250 is a fair amount of compensation and adequately compensates P for the inconvenience caused by the time taken for it to unblock P's account. I also think it's reasonable for Co-operative to add simple interest at 8% simple per annum for loss of use of these funds to reflect the time P was without these funds.

I've considered Miss B's further comments. But these don't change my conclusions. I appreciate Miss B feels strongly about P's 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 uphold P's complaint.

To put things right The Co-operative Bank Plc should do the following:

- Pay P £250 compensation for the inconvenience caused by the time taken to remove the block from its account.
- Pay P 8% simple interest for loss of use of P's account

balance from 16 November 2023 up until 6 December 2023 (not including the funds that were returned to source)*.

*If The Co-operative Bank Plc considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell P how much it's taken off. It should also give Miss B a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 5 March 2025.

Sharon Kerrison
Ombudsman