

## **The complaint**

F a limited company complains Zempler Bank Limited unfairly restricted and closed its accounts.

F is represented by Mr M, a director.

## **What happened**

F held a business account with Zempler, which was flagged and restricted on 6 November 2024. This meant no transactions could be carried out on the account.

Mr M contacted Zempler several times regarding the block on the account. On 26 November 2024 after a difficult phone call Mr M was provided with an update, explaining the review was ongoing and Zempler would reach a decision shortly about the account.

On 27 November 2024 Zempler issued F with a notice to close letter. This provided F with 90 days' notice of closure, although F was unable to utilise the account during this time. The account balance was transferred to F on 29 November 2024.

Mr M raised a formal complaint with Zempler about the handling of its account. In its final response letter dated 29 November 2024 Zempler explained it had blocked and closed the account in line with the account terms and conditions. It also explained it had acted in line with its legal and regulatory duties. Mr M didn't think this was fair and referred the complaint to our service.

An Investigator looked into F's complaint and gathered the relevant evidence. The complaint was upheld for the following reasons:

- Zempler doesn't have to provide Mr M with reasoning behind its restriction of an account or closure.
- But Zempler should provide this service with evidence to support its actions.
- Zempler didn't provide sufficient evidence to demonstrate the block and closure of the account was fair.
- The review was due to take 72 hours, but it lasted until 29 November 2024. As no explanation for the timeline has been provided Zempler should pay B £300 to recognise the impact the restriction had on it.
- Zempler should also pay 8% simple interest on the balance on the account for the period it was without funds due to this delay.

Zempler didn't accept the Investigator's findings. Mr M didn't comment on them. As no agreement could be reached the complaint was 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.

As our investigator said, Zempler has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

Zempler will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result. Zempler's terms and conditions also enable it to block accounts in certain circumstances.

I understand that Mr M wants Zempler to explain the reason it applied the block to F's account. But Zempler doesn't need to disclose to its customers what triggers a review of their accounts. It's under no obligation to tell Mr M the reasons behind the review as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr M this information. And it wouldn't be appropriate for me to require it to do so.

In F's case Zempler blocked and then closed its account. Zempler says this was done in line with its legal and regulatory duties. As part of the Investigator's review Zempler was asked to provide evidence to support its handling of F's account. Zempler hasn't provided this evidence as it says it is confidential and contains sensitive information. Our rules allow us to receive evidence in confidence, and this allows businesses to provide sensitive information to assist in our role in reviewing complaints fairly and impartially. I can see Zempler was informed of this by the Investigator, but it has maintained its position and not provided the information required to establish whether it fairly blocked and closed F's account.

Mr M has provided details of the impact the block had on F – he says the business struggled to operate as payments couldn't be made and clients were chasing him. I can see from the call notes provided by Zempler that Mr M was extremely distressed by the block and there were some difficult phone calls. Mr M was told the review would be for 72 hours, but at this stage no further update was provided. Given the impact on F and the lack of evidence from Zempler, I can't say F has been treated fairly in Zempler's handling of its account.

The lack of appropriate evidence to support Zempler's decisions means I consider compensation for F appropriate. I must highlight that Zempler's customer in this situation is F – because this is F's business account and F is a limited company. This means F is a separate legal entity so I can only make an award for any inconvenience F experienced because of Zempler's actions. I appreciate the block of the account had an impact on Mr M directly – but I am not able to consider the distress caused to him in a personal capacity.

With this in mind I consider the £300 award recommended by the Investigator appropriate. F was without its main business account for around three weeks. Mr M had to spend time contacting Zempler, which was time away from the running of F. I think the lack of updates and information contributed to the inconvenience caused to F.

The Investigator also awarded interest at 8% interest simple on the balance on F's account. This is in keeping with this service's approach when a customer has been deprived of funds, and in F's case the account block left F without access to the account balance.

### **Putting things right**

To put things right, Zempler Bank Limited must:

- Pay F 8% simple interest on their account balance from 9 November 2024 to 29 November 2024, when the funds were returned. \*
- Pay F £300 compensation for the inconvenience they've incurred.

\*If Zempler Bank Limited considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell F how much it's taken off. It should also give F a tax deduction certificate if it asks for one, so it can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

I uphold this complaint. Zempler Bank Limited should put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 17 April 2025.

Chandni Green  
**Ombudsman**