

The complaint

Ms E complains The Co-operative Bank Plc unfairly blocked and closed her accounts.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

In early July 2024 two cash deposits were made to Ms E's sole account and joint accounts. This complaint will focus on Ms E's sole holdings. Co-op blocked Ms E's accounts whilst it conducted a review. This review involved asking Ms E about the source of funds, and Ms E explained the payments were from her partner's business. Whilst it conducted its review the funds of £2,800 were held by Co-op in a separate suspense account.

Co-op's review led to its decision to close Ms E's account, and it notified Ms E of this decision on 24 July 2024. The accounts were to close with immediate effect, and all funds were returned to Ms E.

Ms E raised concerns about the handling of her accounts. She explained Co-O had frozen funds and closed her account without explanation and there had been a lack of communication throughout this process. Ms E said numerous direct debits were returned unpaid, damaging her financial standing, and the issues had a significant emotional impact due to the stress and uncertainty. Ms E also argued Co-Op had breached several regulatory obligations, and in order to put things right it ought to compensate her.

Co-op acknowledged Ms E's concerns and referred her to our service as its review hadn't been completed. An Investigator reviewed Ms E's complaint, and in summary, made the following findings:

- Co-op is required to monitor customer accounts, and it is able to block accounts whilst it carries out a review.
- Co-op has provided information to demonstrate why it blocked and closed the accounts, and its reasons are fair.
- The accounts were closed in line with the account terms and conditions.
- With regards to Ms E's credit card, Co-Op informed Ms E that the direct debit to her account would fail and she would need to make alternative arrangements.
- Ms E was aware of her credit card obligations, and Co-op handled the account fairly, and agreed to remove any negative markers.

Ms E remained unhappy and asked for the complaint to be referred to an ombudsman for a final decision. In her response Ms E explained she had experienced delays with Co-Op and this service had failed to recognise the regulatory breaches she experienced.

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 Ms E was disappointed by the Investigator's opinion. I'd like to reassure Ms E that I've considered the whole file and what's she'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 take this approach. It simply reflects the informal nature of our service as a free alternative to the courts.

Firstly, I am sorry to see Ms E has had cause for complaint. I don't underestimate the worry and anguish this situation has caused, and also the stress of dealing with the complaint about it. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

As a UK financial business, Co-op is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. That sometimes means Co-op needs to restrict, or in some cases go as far as closing, customers' accounts.

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 Co-op has treated Ms E fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

Co-op has explained and given me information to show why it reviewed and closed Ms E's accounts. Having carefully considered this, I'm satisfied The Co-op took these actions in line with the obligations it must adhere to. As Ms E is aware Co-op reviewed Ms E's accounts following deposits made in early July. This is an important part of its regulatory duties and means Co-op needs to be satisfied it has the necessary information from an account holder to show funds are legitimate.

As part of this process Co-op asked Ms E for details of the source of funds, and Ms E explained the money was from her partner's business, and there was reference to a purchase for a wedding dress. Further details were requested but these weren't forthcoming. Ms E says he co-operated with the review and provided sufficient information. I can see Ms E was engaging in the process with Co-op; however I consider its requests for more details to be fair considering its regulatory duties. The explanations and information provided by Ms E didn't satisfy its requirements. I therefore find Co-op's decision to restrict the account, and the questions posed to Ms E to be appropriate.

The evidence provided to Co-op and the due diligence checks it conducted led to its ultimate decision to close Ms E's accounts. Co-op is entitled to set its 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-op 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 Co-op's decision was made fairly.

A key issue for Ms E is the lack of clear explanation from Co-op. I appreciate Ms E's frustration with the lack of clarity from Co-op. However, Co-op isn't under a duty to provide Ms E with specific reasons or its rationale for closing the account. Co-op has provided this service, in confidence, its reasons for closing the account, and as explained above, I find its reasons to be fair and its actions to be appropriate in the circumstances.

The terms and conditions of Ms E's accounts set out that the bank can close the accounts by providing two months' notice. In certain circumstances, it can also close the account immediately. Co-op closed Ms E's accounts with immediate effect. For Co-op 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 Co-op did.

Ms E has explained that the closure had an adverse impact on her. I do appreciate this matter would've caused her difficulty, and as the impact of an account closure can be significant, I would expect Co-op to act in a timely manner. Based on the timeline of events I can see Co-op blocked the account at the beginning of July, and by the end of July it had informed Ms E of its decision to close her accounts and return funds. This included the funds held in a suspense account. I consider Co-op's review to have been carried out promptly, and given the timeline of events I can't see there has been any avoidable delays.

Ms E says she was unable to pay rent, direct debits failed, and the closure had an adverse effect on her credit file. I've considered the available evidence, and I can see Co-op explained the direct debits would stop and Ms E would need to make alternative arrangements. Ms E has provided details of her holdings with other providers to support her argument that the immediate closure adversely affected her. I've considered this information, alongside the credit file details provided and I'm not persuaded these are issues Co-op can be held liable for. I say this as there doesn't appear to be a direct link between Co-op review and the activity on Ms E's other accounts. I therefore can't hold Co-op liable for the issues Ms E has outlined.

A key issue for Ms E is Co-op's handling of her credit card account. Ms E says she was unable to clear the balance on her account as Co-op disabled her online access, and she missed payments. Ms E says this impacted her credit file, and Co-op failed to provide her with the relevant details. I can see Ms E was informed the direct debit from her accounts would stop, which meant she would need to make alternative arrangements for clearing her credit card balance. Between July 2024 and November 2024, I can see Ms E has made late payments towards the balance and incurred charges. Co-op accepts it should've provided Ms E with more information and allowed online access to the account. It also failed to send Ms E statements. Co-op has agreed to remove any late payment charges and adverse information recorded from this period. I consider this to be a fair and reasonable approach to this issue, and don't consider further steps necessary.

Ms E has highlighted various pieces of regulatory guidance and says Co-op has acted contrary to the principles outlined to businesses. I must assure Ms E that when reviewing her complaint, I have considered regulatory obligations, guidelines and good industry practice. This doesn't require me to comment on individual pieces of guidance or legislation. Instead, these factors will form part of my overall review of how Co-op has handled her accounts. Further, the role of this service is distinct to that of the regulator – the Financial Conduct Authority. It is not our role to comment on how businesses conduct their operations and

implement regulatory guidance. This duty falls to the regulator. So whilst I've thought carefully about Ms E's points, I don't consider Co-op's actions to be at odds with its overriding obligations to effectively manage and safeguard accounts.

After considering all the available evidence I'm not requiring Co-op to compensate Ms E for any trouble and upset she may have experienced because of Co-op carrying out its review and closing the accounts.

I know this will not be the outcome Ms E was hoping for, and she will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking Co-op to take any further action.

My final decision

I do not uphold this complaint.

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

Chandni Green
Ombudsman