

## **The complaint**

A – a limited company complains Starling Bank Limited unfairly closed its account.

A is represented on this case by a director – Mr M.

## **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 October 2024 Starling contacted A as it needed further details about a person of significant control in the company – Mrs M. Starling said Mrs M needed to be onboarded as a director on the business account. Starling sent a link and explained this needed to be accessed and accepted by 14 January 2025.

Starling sent another reminder, and in January 2025 there was contact between Mr M and Starling regarding the need for the app to be used by Mrs M. Starling informed Mr M the onboarding process was a regulatory requirement for Mrs M.

The onboarding process was completed and on 23 January 2025 Starling informed Mr M that it would be closing A's account on 23 April 2025. At this point Mr M raised a formal complaint explaining Starling had acted unfairly with the onboarding process and the decision to close the account had a detrimental impact on A.

In its final response letter dated 30 January 2025 Starling explained it was required to update its records when it notices changes in persons with significant control on Companies House, and the terms of the account enable it to ask for up to date information. Starling explained that although Mrs M had been onboarded, its checks meant it decided to close A's account and it didn't have to provide specific reasons for this. It appreciated the impact the closure would have on A, but highlighted it provided three months for alternative banking arrangements to be made.

Mr M remained unhappy and referred A's complaint to this service. An Investigator gathered the relevant evidence and in summary, made the following findings:

- Starling is entitled to close the account in line with the account terms and conditions.
- Starling can also choose who it would like to offer accounts to. Although reasons for the don't need to be provided to customers, Starling should explain to our service its reasoning for ending a relationship.
- Starling failed to provide a clear rationale for the closure to this service.
- Starling should pay A £150 for the inconvenience caused by the closure.
- Compensation at the level Mr M is seeking isn't appropriate in this instance as A had time to make alternative arrangements and the decrease in revenue can't be attributed to Starling's decision only.

Starling accepted the recommendation. Mr M disagreed and reiterated his concerns about the impact on A and the poor service from Starling.

The Investigator reviewed Mr M's points and reiterated their stance that compensation of £150 was sufficient. Unhappy with the review, Mr M asked for a review by an ombudsman.

### **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.

Firstly, I am sorry to see Mr M has had cause for complaint. I can see he has found Starling's actions highly unacceptable. I'm very aware that I've summarised the events in this complaint in far less detail than Mr M has, and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr M and Starling have said before reaching my decision.

Having done so, I've reached the same overall conclusions as the Investigator. I'll explain why.

As a UK financial business, Starling 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 – and this includes ensuring it holds the correct and relevant information for account holders. I must highlight it is not within this service's remit to tell a business how to run their Know Your Customer (KYC) and Anti Money Laundering (AML) processes or procedures such as what questions they should ask a customer in order for them to be satisfied they are meeting their legal or regulatory requirements. It would be the role of the regulator – the Financial Conduct Authority (FCA), who have the power to instruct Starling to make changes to their policies and procedures, if necessary.

It's worth noting though that there is no set way in which the regulator requires a business to meet their regulatory requirements. This is the overarching regulation businesses like Starling must consider but there is also FCA guidance. So, each business will have their own individual procedures with respect to KYC requirements. This is to ensure each business can meet their regulatory requirements but also have the autonomy to operate its business as it sees fit.

In A's case I can see Starling highlighted to Mr M the specific FCA guidance it was acting in line with and that as it had noted a change in persons with significant control it was required to complete the onboarding process. I can see Mr M found this process frustrating, but based on the information I've seen, I'm satisfied it was reasonable for Starling to ask for this process to be completed.

Following the checks, Starling made the decision to close A's account. It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Mr M decided to stop banking with Starling, he wouldn't have to explain why.

In A's case Starling has explained that following the checks on Mrs M it made the decision to close the account. Starling hasn't provided specific details to this service about how it reached this decision, so I am unable to determine whether the decision was made fairly. I appreciate this is frustrating for Mr M, but in these instances, I must consider what would be appropriate compensation based on the limited information I do have. Based on my review of the timeline of events, and Mr M's comments, I consider £150 to be a fair amount of compensation. I say this as A was able to open an account elsewhere, and although the closure would've resulted in a level of inconvenience, I can't see that this warrants compensation greater than this.

Mr M says Starling should pay significantly more compensation. Mr M says there was administrative costs for dealing with the fallout of the closure and resources were diverted from the core business. Mr M also says there was reputational damage and missed opportunities to bid for contracts. I've thought about Mr M's comments, and although I don't doubt the closure would've had some impact, I am not persuaded it is to the level Mr M has stated. A was still able to operate during this time, and its account with Starling was fully operational until the date of closure.

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. The primary purpose of our awards for distress and inconvenience are to recognise the impact on a consumer where there have been shortcomings. In A's case I've considered the timeline of events, and actions A had to take, and I'm satisfied the £150 compensation award is in keeping with our approach to redress.

I know this my proposed outcome is not what Mr M was hoping for, but I hope it provides some clarity around why I consider the £150 recommended by the Investigator to be fair and reasonable in the circumstances.

### **Putting things right**

Starling Bank Limited should pay A £150 for the inconvenience caused by its decision to close its account.

### **My final decision**

I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 28 October 2025.

Chandni Green  
**Ombudsman**