

The complaint

Miss B complains that Starling Bank Limited unfairly closed her personal account and didn't explain why.

What happened

In March last year, Starling contacted Miss B advising that it would be closing her account in three months. Miss B says she wanted to use this account whilst abroad but was unable to do so because of Starling's decision.

In response to her complaint, Starling explained that it had acted in accordance with the terms and conditions of Miss B's account. The bank also offered her £50 compensation for failing to respond to her chat messages promptly.

Remaining unhappy, Miss B referred her complaint to this service. During the investigation, it was established that a marker was recorded under Miss B's name on the Credit Industry Fraud Avoidance System (CIFAS). This was recorded by a third-party firm in 2020. Starling's decision to close Miss B's account was because of this. One of our investigators issued their outcome explaining that the bank acted fairly.

Miss B didn't agree, so the complaint had been passed to me to decide.

I recently issued my provisional findings explaining why I planned to uphold this complaint:

It's generally for financial institutions to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Each financial institution has its own criteria and risk assessment for deciding whether to open or close accounts.

Providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there's a good reason to do so, this service won't usually say that a bank must keep a customer. However, a bank should still make sure it hasn't exercised its discretion for plainly unfair reasons, or that it was due to a mistake, and it should still comply with its terms and conditions.

The terms and conditions that applied to Miss B's account set out that Starling could close her account either by giving at least two months' notice, or in some circumstances it could close the account immediately. Starling closed Miss B's account by giving her three months' notice. So, I've gone on to consider whether it was fair for Starling to close her account in this way.

As Miss B now knows, Starling's decision was based on a CIFAS marker it found that was recorded under Miss B's name by another firm in 2020. The bank says that it exercised its commercial decision to terminate its relationship with Miss B because the marker demonstrates that she poses an unacceptable risk to the bank. Starling adds that it wouldn't open an account for a consumer who has this marker loaded under their name. Although Starling provided an extended notice period, I'm not satisfied its decision was fair.

I can see from the records that Miss B and Starling provided that the CIFAS loading was carried out in 2020. Miss B opened her account with Starling in 2022 and she was successful in doing so, despite the marker being in place. And she's operated the account with no other concerns that Starling has brought to our attention for around two years, until the bank's decision to close the account. So I'm not persuaded that, by the point at which Starling made its closure decision, Miss B posed a risk to the bank in the way Starling describes.

I appreciate Starling's point that its failure to conduct checks sooner doesn't prevent it from exercising its commercial judgement now. However, given the context of the marker, I'm not satisfied that the bank exercised its judgement fairly.

The marker itself seems to have been loaded likely following an attempt by a third-party to use Miss B's details. The purpose of the marker therefore is to prevent unauthorised use of her details and prompt firms to conduct additional verification. So the risk is posed by a potential third-party that may attempt to make unauthorised use of Miss B's details – the risk doesn't seem to be something Miss B is responsible for. My understanding is that the requirement this would've placed on Starling is that it be mindful of the marker and that it conducts additional verification to protect itself and Miss B.

Therefore, despite the terms allowing Starling to close Miss B's account and despite it doing so by providing three months' notice, I'm not persuaded that the bank's action was fair and reasonable in these circumstances.

That being said, looking at how Miss B used this account, I'm satisfied this wasn't her main account. I can't see that she received salary or benefit payments into the account. Nor can I see that she was regularly using it for essential living costs. So I can't fairly conclude that the closure of this account would've caused Miss B an unreasonable level of detriment.

Nevertheless, I do accept that the closure off Miss B's account caused some degree of distress and inconvenience. Miss B points out that she couldn't make use of the account when travelling. Because of this, I plan on asking Starling to pay her £100 compensation – this is in addition to the £50 the bank has already offered her.

I recently asked Starling whether it recorded any other adverse markers (internal or otherwise) following its closure decision. Starling hasn't been able to confirm whether it has done so. So as well as paying compensation, I'll be instructing Starling to remove any other adverse information it may have recorded under Miss B's name as a result of its closure decision.

In summary, although Starling closed the account in line with its terms and conditions, I'm not satisfied that the bank's reason for doing so was fair. So I'm provisionally upholding this complaint and awarding £100 compensation to Miss B.

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.

Neither party provided any additional comments or evidence following my provisional decision. So my decision remains the same – Starling should pay Miss B an additional £100 compensation to put things right and remove any adverse information it may have recorded under Miss B's name.

My final decision

For the same reasons as my provisional decision, my final decision is that I uphold Miss B's complaint against Starling Bank Limited.

Abdul Ali
Ombudsman