

The complaint

Mr S complains that The Co-operative Bank P.L.C. (Co-operative) blocked and closed his account and took too long to release his money. Mr S is also unhappy with the service he received from the Co-operative.

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.

Mr S had an account with Co-operative.

In January 2025, P received two payments totalling £2,000 into his account from an individual I will refer to as K. After receiving the funds Mr S tried to make a payment to a company I will refer to as Y for £1,600.

Co-operative's fraud prevention system blocked the payment. Co-operative called Mr S to verify the payment and asked questions about the transaction and the money that had been paid into his account by K. Co-operative told Mr S that it had carried out some checks and discovered that Y wasn't a regulated business. So, they were worried he had fallen victim to fraudsters.

Mr S told Co-operative that K was his ex-wife and the £2,000 was money she owed him. He explained that he wanted to proceed with the transaction and wasn't falling victim to scammers. Following this Co-operative decided to review Mr S's account to comply with its legal and regulatory obligations. Whilst it completed its review it blocked Mr S's account.

Co-operative released the funds in Mr S's account on 13 February 2025. Co-operative also decided to close Mr S's account and wrote to him on 14 February 2025 giving him two months' notice that he'd need to make alternative banking arrangements. During the notice period Co-operative continued to block Mr S's account and let him know that he could access any wages or benefits in his account by attending branch. And that any direct debits set up on the account would continue to be paid. Co-operative also lifted the block on Mr S's account and allowed Mr S to transfer his account balance out to another account on 14 February 2025.

Mr S was very unhappy about not being able to access his account fully. He called Co-operative on several occasions asking for his funds to be released. During one of the calls Mr S had to wait for more than half an hour to get through. Co-operative also wrongly told him that his account had been unblocked, and he'd receive a call back, which didn't happen.

Mr S complained to Co-operative. He said he had to wait too long to have his money released and the bank constantly told him someone would be in touch with him, but he never heard anything. To put things right he said Co-operative should pay him compensation - £2 for every day the account was blocked. And explain why it blocked his account.

In response, Co-operative said it hadn't done anything wrong when it had blocked and closed his account. It explained it had done so in line with the terms and conditions of Mr S's account. And to comply with its legal and regulatory obligations. However, it accepted that at times its service had fallen short of what Mr S could expect. To put things right Co-operative offered Mr S £125 compensation.

Mr S remained unhappy and referred his complaint to this service. But our investigator didn't think Co-operative had done anything significantly wrong when it blocked Mr S's payment request. And closed Mr S's account. The investigator said Co-operative's service was poor. But thought it had done enough to put things right. Mr S didn't agree with this outcome. He wants more compensation. So, his complaint has been passed 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.

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.

Co-operative 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. This can happen regardless of how long a customer has been with a bank. The terms and conditions of Mr S's account also make provision for this to happen.

Having reviewed all the evidence, I'm satisfied that Co-operative were acting in line with its legal and regulatory obligations when it reviewed Mr S's account. I appreciate that Mr S wants to know more about why Co-operative did what it did. But Co-operative isn't obliged to tell Mr S why it reviewed his account, and I don't believe it would be appropriate for me to require it to do so as much as he'd like to know.

I note Mr S is unhappy with Co-operative's fraud prevention system and the steps required to validate a payment. I'd like to explain to Mr S that it is not within this service's remit to tell a business how to run its security procedures. It is the regulator – the Financial Conduct Authority (FCA), who have the power to instruct Co-operative to amend its policies and procedures, if it finds Co-operative is doing anything wrong. But I acknowledge having such procedures in place can – on occasion, mean that legitimate payments get stopped. And I appreciate that this can cause distress and inconvenience to a customer – as it did for Mr S when he was trying to make the payment to Y.

But it doesn't necessarily mean Co-operative has acted incorrectly as all banks and building societies have an obligation to try and keep their customers' accounts safe and prevent them from being victims of fraud. This generally means that a bank's fraud prevention system will flag unusual activity on an account – for example, large transactions and payments to new payees, for further security checks. And I've seen that Co-operative's account terms and conditions make provision for this.

I think it was reasonable that this transaction was flagged, given its high value. Co-operative uses an automated system and, as I said, this service will rarely interfere with reasonable security measures put in place by banks to protect both the bank and its customers. And I'm satisfied the blocking of this particular transaction was a reasonable security measure.

Sometimes following a review, a bank will decide to close an account. Co-operative is entitled to close an account with Mr S just as he is entitled to close his account with Co-operative. It's generally for banks and financial businesses 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. But they shouldn't decline to continue to provide an account without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

In doing so, I appreciate that Co-operative are entitled to set their 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-operative should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly.

Co-operative have relied on the terms and conditions of Mr S's account when closing it. The terms and conditions outline that Co-operative can close a customer's account with two months' notice, and in certain circumstances they can close an account immediately. Here they closed Mr S's account with two months' notice. However, during the notice period Mr S only had limited access to his account due to it being blocked. For Co-operative to act here they needed to meet the criteria to apply their terms for immediate closure.

Co-operative has provided some further details of its decision-making process, I'm sorry but I can't share this information with Mr S due to its commercial sensitivity. But I've seen nothing to suggest Co-operative's decision around closing Mr S's account was unfair. So, it wouldn't be appropriate for me to ask Co-operative to pay Mr S compensation since I don't find Co-operative did anything wrong when it closed his account. I'm also satisfied that Co-operative closed Mr S's account in line with the terms and conditions.

I understand of course why Mr S wants to know the exact reasons behind Co-operative's decision to close his account. It can't be pleasant being told you are no longer wanted as a customer. But Co-operative doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr S the reasons why it closed his account, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr S this information. And it wouldn't be appropriate for me to require it to do so now.

Mr S has said Co-operative took too long to release his balance to him. Whilst I understand how Co-operative's actions impacted Mr S, given everything I've seen I can't say there were any undue delays in Co-operative releasing Mr S's closing balance. Mr S's account was blocked on 24 January 2025, and Co-operative released his closing balance on 13 February 2025.

I've looked at what Co-operative were doing during this time. Having done so, I'm satisfied that Co-operative were proactive in completing its review, which included having to complete administrative processes in order to comply with its legal and regulatory obligations.

I note too that Co-operative responded positively to Mr S's circumstances and let him know he could access his wages or benefits by going into a branch. So, I can't conclude Co-operative treated Mr S unfairly in taking the time it did to complete its review and release Mr S's funds back to him.

Whilst I don't think Co-operative did anything wrong when it reviewed and closed Mr S's account, I do think they got things wrong when in how they communicated with him. Co-operative has acknowledged their errors and offered Mr S £125 compensation. Mr S says this isn't enough.

Having listened to the calls I'm satisfied that Mr S was given wrong information, promised calls back and spent a long time waiting to get through to speak to the bank's staff. Banks are staffed by people, and people sometimes make mistakes. Of course, banks should take reasonable steps to avoid making mistakes, but it's unrealistic to expect mistakes will never be made. Having read Mr S's submissions about how Co-operative communication impacted him, I don't doubt the errors made by Co-operative caused Mr S trouble and upset. So, I'm satisfied that compensation is appropriate for this.

I have carefully considered all of Mr S's submissions about how Co-operative actions impacted him, including the effect of the stress Mr S says was caused by all this on his and the time he had to spend on the phone. So, I recognise that Co-operative should have done better in the first place. But, the fact is, things went wrong, and that impacted on Mr S through no fault of his own. This is not the level of service Mr S would reasonably have expected to receive.

Co-operative has offered Mr S a total of £125 compensation to acknowledge their errors and to put right the impact it caused. That seems fair to put things right here.

I know Mr S is seeking more compensation. But when a business makes a mistake, we often tell them to pay compensation, to acknowledge their error and the impact it had. In terms of the amounts, it's worth keeping in mind that we're an informal dispute resolution service. We're not the regulator, and we're not here to issue fines or to punish businesses. Further, I'm only awarding compensation for Co-operative's service – as above, I've found the review and closure of Mr S's account to be fair.

In summary, I can see that Co-operative's closing Mr S's account caused Mr S some degree of stress and inconvenience. So, taking into account the impact Co-operative's errors had on Mr S, along with the guidelines for compensation which I must be consistent with, I find that their offer of £125 compensation is fair to put that right. I find no fair or reasonable basis on which to award anything more.

I've considered Mr S's further comments. But these don't change my conclusions. I appreciate Mr S feels strongly about his complaint and I am sorry to have to disappoint Mr S on this occasion. I hope he understands the reasons for my decision and at least feels he has been listened to. But I won't be asking Co-operative to anything more to resolve Mr S's complaint.

My final decision

For the reasons I've explained, my final decision is that Co-operative Bank P.L.C. has already made an offer to pay £125 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that Co-operative Bank P.L.C. should pay Mr S £125.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 January 2026.

Sharon Kerrison
Ombudsman