

The complaint

Miss O complains TSB Bank plc (“TSB”) closed her account without explanation and demanded she pay back her overdraft causing her significant distress, inconvenience, and financial difficulty. Miss O is also unhappy with inaccurate messages from TSB which said she had asked for the account to be closed.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again in detail here. Instead, I’ll focus on what happened after this complaint was passed to me to decide. In short, I sent both parties my provisional decision in which I said I was planning on upholding this complaint in part. For ease of reference, here is what I said:

Provisional decision

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having done so, I am planning on deciding that this complaint should be upheld in part. I’ll explain why.

Banks in the UK, like TSB, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers’ accounts.

TSB has explained and provided some supporting evidence as to why it reviewed Miss O’s account. Having considered this, I’m satisfied this was done in line with TSB’s obligations.

TSB is entitled to close an account just as a customer may close an account with it. But before TSB closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account, which TSB and Miss O had to comply with, say that it could close the account by giving her at least two months’ notice. And in certain circumstances it can close an account immediately or with less notice.

TSB gave Miss O two months’ notice. TSB has explained and provided me with some supporting evidence as to why it acted in this way. Based on what I’ve seen, I’m persuaded that TSB could close the account with two months’ notice. TSB is under no obligation to give Miss O an explanation - though I can appreciate why she would want a detailed one.

However, when a bank gives two months’ notice, it should generally be without any limitation or restrictions. If there are restrictions during the two months’, then I must treat that as an immediate closure. Given the reasons and evidence that I’ve been given, I’m persuaded that TSB shouldn’t have effectively closed Miss O’s account immediately.

So, I think TSB got this wrong. But I note Miss O says this wasn’t her main account and I can see from the statements that she didn’t use the account much, particularly on a day-to-day

basis. So, I think the practical impact of losing this account is quite low. I note Miss O says that having to pay back around £2,000 for the overdraft has caused her financial difficulty. But overdraft debt can be called in at any time and can be payable upon demand. I'm also mindful that had TSB done what it ought to, that is give two months' notice without any account restriction, then Miss O would still be liable to have paid the overdraft. So, I don't think the overdraft repayment issue makes any difference to the outcome of this complaint.

Miss O is unhappy that she was sent conflicting messages by TSB that she has closed the account when that wasn't the case. I can understand why this would have compounded any distress Miss O was feeling.

I should also add that I don't think TSB needed to signpost Miss O to its provision of Basic Bank Accounts given she held another bank account with a separate provider.

In weighing up what I think is fair compensation, I'm mindful once again that the TSB account wasn't used much by Miss O and that it wasn't her main account. I'm also mindful that the overdraft would always have needed to be paid, and that TSB had grounds to close the account albeit with two months' notice with unfettered access. However, I do accept that having some restrictions and being sent conflicting messages would cause Miss O some distress. Having carefully considered this, I'm minded to award Miss O £100 compensation for the distress and inconvenience she has suffered."

The deadline for both parties to respond has now passed. Miss O hasn't agreed with what I said. In summary, the key points she makes are:

- The compensation amount of £100 doesn't fairly reflect the impact TSB's actions had on her. That's because the way TSB handled the closure caused Miss O significant ongoing distress, confusion and anxiety
- Miss O was already struggling financially at the time and receiving such conflicting messages, and being asked to repay the overdraft, caused her severe panic
- The closure, which was effectively immediate due to the restrictions, was unfair and made it challenging for Miss O to manage her finances

TSB also didn't agree with what I said I was planning on deciding. In summary, the key points TSB makes are:

- Restrictions on the account didn't matter given Miss O hadn't used the account for around 16 months prior, with the previous activity being the use of the overdraft. Miss O has also said it wasn't her main account
- TSB acted correctly as it can place restrictions on the account services. The account wasn't used in the way it should have been, Miss O spent her entire overdraft and made no attempt to clear the debt
- TSB's terms and conditions allow it to restrict the account for the reasons and concerns its shared with this service
- TSB advised Miss O it was closing her accounts by email, and an SMS message would also have been sent alerting her to the email. A letter was also sent. TSB didn't send a message to Miss O saying that she had closed her account
- When our Investigator asked TSB for comment about screenshots from TSB which said she had asked TSB to cancel her internet banking access, it said these were automated messages sent by the system upon service cancellations regardless of

the situation. And TSB wouldn't have been able to override them. But it has come to light Miss O conformed in her complaint to TSB raised in June 2025 that she cancelled the internet/mobile banking herself. So, the only digital service TSB cancelled were text alerts

- So, compensation is not warranted as TSB has acted in line with its terms and conditions

As there remains no agreement, I will now decide this complaint.

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.

Having done so, I have decided to uphold this complaint in part. The reasons for doing so are contained in my provisional decision – as above. But I will also respond to what Miss O and TSB have said in response.

TSB say that it acted in line with the terms of the accounts. But for the explanation and supporting evidence it has provided, and having carefully considered the terms and conditions, I don't agree.

Had TSB the level of concern it is arguing it had, I would have expected it to close Miss O's account, including all related services, with immediate effect. Instead, and based on its explanation and supporting evidence, I'm persuaded it had cause enough to close the account with two months' notice with full access to her services. This would in turn have allowed Miss O reasonable time, without the distress and inconvenience this caused, to repay her overdraft or find a suitable transition method for it.

To put in simply, I don't think TSB had sufficient concern or supporting evidence to have acted in the way it did – and so it didn't apply its terms fairly.

TSB argue that it didn't send conflicting messages. But this issue still remains somewhat ambiguous given Miss O's responses show TSB did say she closed the account herself. In any case, TSB should note that I am not being much weight on this issue in terms of the value of compensation I am awarding.

That brings me to the crux of Miss O's arguments. That is the £100 award of compensation doesn't reflect fairly the impact TSB's actions had on her. In reaching this value, I took into mitigation that Miss O wasn't using this account, had another account she used for her main banking requirements, and that an overdraft is always repayable on demand. Had this not been the case, then its likely I would look to award a greater amount. But as things stand, I see no basis in which to make a higher award.

My final decision

For the reasons above, I have decided to uphold this complaint in part. I now direct TSB Bank plc to pay Miss O £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 8 January 2026.

Ketan Nagla

Ombudsman