

The complaint

A company I'll call S complains that TSB Bank PLC (TSB) blocked its accounts, then recalled S's Bounce Back Loan (BBL) and withheld the funds in S's accounts. S is represented by its director, Mr A.

What happened

In June 2021, TSB blocked S's accounts while it carried out a review. As part of its review, TSB contacted Mr A to ask him to provide proof S was entitled to a local Council grant it had received. Mr A answered TSB's questions and sent in documents in support of his answers, but TSB didn't lift the block. When it completed its review, it issued S with a notice of its intention to close S's account and a letter demanding immediate repayment of the BBL.

TSB retained S's funds and used part of the account balance to repay the BBL debt, so Mr A complained. TSB issued its final response to Mr A's complaint on 9 July 2021. It said there are times when it needs to block its customers' accounts while it asks for additional information and proof of entitlement to any funds that have credited the account. It said it was normal to request information in piecemeal and it said it hadn't done anything wrong.

Mr A remained unhappy, so he brought his complaint to our service. He complained that TSB had closed his account without warning or reason and that TSB had accused him of fraud without evidence. He said TSB had sent £9,669.21 of his money back to the Council without legal grounds, despite that the Council had never accused him of fraud. And he said TSB had stolen his money because it used £7,481 of his account balance to repay interest on the BBL that he says wasn't due.

Mr A felt he'd been treated differently because of his race and he wanted TSB to apologise, to return his money, to remove any default markers and to pay compensation.

Our investigator looked at S's complaint, but she didn't uphold it. She said TSB had acted in line with its legal and regulatory obligations when it returned the funds to the council, that it had acted in line with its terms of business when it blocked and closed S's account, and that TSB had fairly withdrawn the BBL because S wasn't eligible for it in the first place.

Mr A didn't agree, so he asked for an Ombudsman to review the matter afresh. TSB later agreed to release the £7,481.01 it had previously retained and did so on 5 December 2022.

On 27 September 2023, I issued a provisional decision. In it, I said:

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

Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do."

This approach simply reflects the informal nature of our service as a free alternative to the courts. And 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 in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mr A and TSB have said, before reaching my decision.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of S, I would need to be satisfied that TSB acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence it relied on in reaching its decision, I'm satisfied TSB acted in line with its legal and regulatory obligations when it blocked S's account. And that it was entitled to do so under the account terms and conditions that governed the relationship between TSB and S.

I'm also satisfied that TSB conducted its review in a reasonable manner. It explained that it's not always possible to request all of the information it needs at the same time, and having looked at the reasons for its review, along with the information it requested, I'm satisfied TSB completed the review in a reasonably prompt and efficient manner.

Because I'm satisfied TSB was entitled to block S's account, I won't ask it to compensate S for doing so, given it did nothing wrong. I understand Mr A wants to know the reason for TSB's actions, but I'm satisfied TSB wasn't obliged to disclose the reasons for the block.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account.

TSB issued its notice to close S's accounts on 3 August 2021. Mr A says he's not happy that he didn't get advance warning of the closure or an explanation of the reasons behind the closure.

The terms and conditions that govern the relationship between TSB and S say that TSB can close S's account without notice in certain circumstances. So, I've looked at the evidence TSB provided our service to determine whether or not it acted fairly when it closed S's account. And having done so, I'm satisfied that it did and that it was entitled to close S's account without giving prior notice. And that it doesn't have to explain the reasons for its decision to S.

Council grant recall

Mr A was unhappy that TSB returned funds he had been paid by way of a local grant. He says the Council hadn't accused him of fraud and that TSB didn't have any evidence to support their decision. But, having looked at the evidence both parties have provided, I'm satisfied TSB was entitled to return the grant funds to source. I'll explain why.

In reaching my decision, I've looked at the evidence TSB relied on when it decided to block and return the grant funds. And I've thought about the questions it asked Mr A, along with the answers he gave. TSB asked Mr A to provide evidence to show S was entitled to the grant funds. In response, Mr A sent in emails from the Council that confirmed the grants had been paid.

Producing confirmation of payment doesn't necessarily demonstrate an entitlement to receive that payment. And Mr A didn't submit any further evidence that demonstrated S met the requirements of the grant. TSB has also provided further evidence in support to its decision to return the funds, which in my view support its decision. So, I'm satisfied its decision to return the funds was reasonable, that it gave Mr A fair opportunity to provide evidence, and that its assessment of all the evidence it had was appropriate.

BBL

Under the Government-backed BBL scheme, the maximum loan amount available was £50,000. And applicants could only qualify for the maximum amount if the business turnover was £200,000 or more.

When Mr A applied for the BBL (in March 2021), he declared an estimated turnover of £200,000. He declared an estimated turnover instead of an actual turnover because S was established on 22 January 2019, and the BBL application form stated an estimated turnover should be provided if a business was established after 1 January 2019.

As part of its review, TSB asked Mr A to provide evidence of the turnover he had declared in S's application. The documents Mr S submitted showed a turnover of approximately £74,500. And S's publicly available accounts show a turnover of just under £49,000 in 2021 and £57,000 in 2022.

Mr S told our service that he had estimated a turnover of £200,000 because the previous business was taking over £200,000 per year, and that S had not performed as expected owing to the Coronavirus pandemic. However, Mr A didn't send our investigator evidence to support that claim, and crucially, he didn't attempt to submit any such evidence when he was approached by TSB.

Further, Mr A would have been aware that S's turnover up to March 2021 was significantly below the estimate he declared. And the economic effects of the Coronavirus pandemic had been known for the previous 12 months, so I don't accept the pandemic was to blame for Mr A's inaccurate estimate. Because of that, I'm not persuaded Mr A's estimated turnover was reasonable or realistic.

In light of the above, I'm not persuaded S was entitled to receive a BBL of £50,000. And so, it follows that I'm satisfied TSB was entitled to recall the loan in the manner it did, and to deduct the balance of the loan from S's account.

Account balance

When TSB issued its demand for S to repay the BBL, it said it had used S's account balance of £57,481.01 to repay the debt. However, the letter reiterated that S was not liable for interest during the first 12 months of the loan, and didn't explain why TSB had taken more than the £50,000 BBL debt.

TSB eventually released £7,481.01 to Mr A on 5 December 2022, after our investigator asked what TSB was doing with the funds. I wrote to TSB to ask why it had held onto that amount, and why it hadn't released the money to Mr A sooner than it did. TSB said it couldn't issue a cheque because it needed Mr A to provide proof of his business address as part of its security process, to make sure it was releasing the funds to the correct person. I asked TSB to provide evidence to demonstrate it had communicated that requirement to Mr A, and said that I would be minded to award S interest on the balance withheld if it couldn't do so.

TSB's internal notes from April 2021 say that it had decided it needed to see proof of Mr A's address. But they don't show that any attempt was made to communicate that requirement to Mr A, and they don't refer to the account balance being withheld subject to this.

When I asked TSB to provide evidence that it communicated its requirement to Mr A, it sent me a copy of a letter dated 24 June 2021. That letter though was sent 2 months after TSB had decided it needed to see proof of address, and it didn't reference S's account balance. Rather, the letter requested proof Mr A was entitled to various payments that had credited S's accounts. It did say that Mr A would need to take proof of identity to a branch, but that was only in the context of providing the proof of entitlement to the credits referred to in the letter, and even then, only if Mr A preferred to take the proof of entitlement to his local branch.

With that being said, I don't accept that letter was intended to explain what steps Mr A needed to take to obtain release of his account balance, and I don't accept that it would have alerted Mr A to TSB's requirements. TSB eventually agreed to make the payment by faster payment instead of cheque, but I accept it was entitled to issue the balance by cheque in the first instance.

However, because it hasn't provided evidence to show it told Mr A what he had to do to obtain the account balance, I'm not persuaded it released the funds to S promptly, so it should pay S interest to compensate it for the period during which S was deprived of its funds unfairly.

Based on the evidence I've seen I take the view that TSB should have released the account balance to S when it closed the account on 8 September 2021. It was entitled to verify S's address, but it didn't communicate that requirement to Mr A, and I've seen nothing to suggest Mr A wouldn't have withdrawn those funds immediately, had he known what he had to do.

Discrimination

Finally, Mr A complained that TSB's actions were motivated by discrimination on the grounds of his race. In terms of discrimination, it's not our role to say whether a business has acted unlawfully or not – that's a matter for the Courts. Our role is to decide what's fair and reasonable in all the circumstances. In order to decide that, however, we have to take a number of things into account including relevant law and what we consider to have been good industry practice at the time.

So, although it's for the Courts to say whether or not TSB has breached the Equality Act 2010, we're required to take the Equality Act 2010 into account, if it's relevant, amongst other things when deciding what is fair and reasonable in the circumstances of the complaint.

With that in mind, I've thought about whether or not TSB has acted in a fair and reasonable way in all the circumstances of this complaint. And for all of the reasons I've set out above, I'm satisfied that it has, and that its actions were motivated by complying with its legal and regulatory obligations. I recognise that Mr A is unhappy with the way TSB treated him, but I'm satisfied it acted appropriately in its investigation, and in the actions it took following that investigation. And I've seen nothing to suggest its actions were motivated by Mr A's race."

I asked both parties to submit any further evidence or arguments they wished me to consider by 11 October 2023. TSB accepted my provisional findings, but Mr A sought additional compensation.

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.

To summarise Mr A's reply to my provisional findings, he said TSB had caused him significant distress and felt TSB had lied when it said it was waiting for confirmation of his correct address. He wanted me to award interest from 8 September 2021 up to the date I issued this final decision (i.e. 12 October 2023) instead of 5 December 2022).

I've thought about Mr A's further submissions, but they don't change my provisional findings. I'm sorry to hear of the distress Mr A experienced, but I can't make an award in that regard. TSB's customer is S, a limited company, not Mr A, and so I can only compensate S, not its directors. And a limited company of course can't experience distress. And given my findings in relation to the history of the account, I'm satisfied the interest payment is sufficient compensation and I'm not persuaded it would be appropriate to make a further award. As I said in my provisional findings, I'm satisfied TSB was entitled to take the actions it did, save for the delayed return of funds. So I won't tell it to compensate S for anything other than that delay.

Further, I'm satisfied TSB didn't lie about needing confirmation of Mr A's address. I've seen the notes it made at the time that explained the reasons for that decision, and I'm satisfied it acted appropriately in the circumstances. The only thing it did wrong was that it failed to communicate that requirement to Mr A. But I'm satisfied the contemporaneous notes demonstrate that it did decide it needed proof of Mr A's address.

I appreciate Mr A would like me to extend the period for which interest should be paid, but the purpose of that award is to compensate S for the time it went without access to its money owing to an error on TSB's part. That period ended on 5 December 2022, so it wouldn't be appropriate for me to tell TSB to compensate S for any time after that date, because S was no longer deprived of its money from then on.

My final decision

For the reasons I've set out above, my final decision is that TSB Bank PLC must pay S simple interest at the rate of 8% on the account balance of £7,481.01 from 8 September 2021 to 5 December 2022.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 9 November 2023.

Alex Brooke-Smith
Ombudsman