

## **The complaint**

Mr K complains that ClearBank Limited blocked his business account and closed it without notice. Mr K would like the closing balance released and compensation.

## **What happened**

Mr K had an account with ClearBank.

ClearBank carried out a review of Mr K's account. They blocked the account on 30 September 2021. They asked Mr K to provide proof of entitlement to some payments. Mr K provided documentation on 30 September 2021. ClearBank informed Mr K that its account would close with immediate effect on 30 September 2021. The bank asked Mr K for a nominated account to transfer the balance in the account. The balance on the account was £266.67.

Mr K has said that he had difficulty in registering a complaint with the bank. And in getting statements.

Mr K complained to ClearBank. They said they should have given Mr K notice earlier in order to give him a chance to make alternative banking arrangements. They awarded Mr K £25 compensation.

Mr K was unhappy with the response and complained to our service. I am aware that Mr K has two further complaints regarding business accounts with our service and these will be dealt with separately.

Mr K told us he had been unable to make payments to his mortgage lenders and had suffered loss and financial harm.

One of the adjudicators looked into the complaint. She said ClearBank hadn't done anything wrong when they blocked and closed Mr K's account. She thought the bank was entitled to ask for a nominated account to return the closing balance. She didn't think ClearBank had to send a cheque if this wasn't its process. She thought the complaint Mr K had raised had been acknowledged the next day and she could see that the statements Mr K had requested had been sent to him.

Mr K was unhappy with the view. As there was no agreement the matter has come 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.

Mr K requested time to provide this service with further information which we have granted. However, despite giving Mr K the opportunity to provide further information, he hasn't done

so. I have to balance Mr K's wish to provide more evidence with the need to provide both parties with a prompt answer to the complaint. I have considered whether I have sufficient information on file to reach a fair and reasonable decision. Our service is an alternative to the courts, and it provides an informal way to resolve disputes between parties. Having looked at all the information on the file I'm satisfied that I have enough information to reach a fair and reasonable outcome, so I have proceeded to review all the evidence provided to me by both parties and reach a final decision.

### *Review and Block*

I'll start by setting out some context for the review of Mr K's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied ClearBank were complying with these obligations when they reviewed Mr K's account.

ClearBank blocked Mr K's account and requested information about some payments. Mr K provided information that same day.

ClearBank can block an account whilst it carried out its review. I can see that in blocking the account the bank were following an internal process which they carried out in order to comply with their legal and regulatory obligations. This was a legitimate exercise so I can't say ClearBank was unfair. I've looked at the terms of the account and I'm satisfied ClearBank could block the account. I'm also satisfied they didn't cause any delays and they carried out the review promptly.

### *Closure*

ClearBank then let Mr K know it was closing the account with immediate effect. So, I've next looked at ClearBank's decision to close the account. Banks are entitled to end their business relationship with a customer, as long as it's done fairly and is in line with the terms and conditions of the account. The terms and conditions of Mr K's account say that ClearBank can close an account in certain circumstances immediately and also by giving notice. ClearBank closed Mr K's account with immediate effect. ClearBank later said to Mr K in its final response letter (FRL) that they should have given him notice to allow it to make alternative arrangements. They awarded Mr K £25 in compensation. When Mr K referred the complaint to our service ClearBank said their terms allowed for immediate closure and they had acted fairly when closing Mr K's account with immediate effect.

Because of the different statements made by ClearBank regarding the closure of Mr K's account I've gone on to consider if ClearBank acted fairly in closing the account with immediate effect. I have reviewed in detail all the information received from both parties and the terms and conditions of the account. As I've said ClearBank terms allow it to close accounts giving notice and in some cases without notice. Since Mr K's account was closed without notice I've gone on to check if I think they acted fairly in doing so and looking at the information provided I'm satisfied that they acted fairly when closing the account immediately. It follows I don't think compensation is due.

I've then considered the impact the conflicting statements had on Mr K and whether this caused Mr K any detriment. On balance I'm not satisfied that it has. I say this because the account was always going to be closed, Mr K was originally given immediate notice and by the time the FRL was sent on 20 October 2021 the account had closed and Mr K had been

awarded £25 in compensation. So therefore, being told he should have got more notice wouldn't change the outcome of Mr K having to look for another account.

I have gone on to consider whether the £25 compensation offered was reasonable in the circumstances. Having done so I'm satisfied that ClearBank were entitled to close the account with immediate effect so in my view no compensation is due, and I won't be directing ClearBank to pay any compensation. I know Clearbank previously made an offer to Mr K. As I've mentioned I don't think anything is warranted so I'll leave it to Clearbank and Mr K to determine if this is still available should Mr K now wish to accept it.

### *Closing balance*

The account had a closing balance of £266.67. Mr K has said he would like this paid by cheque. ClearBank have said that they operate digitally and as such only send funds to accounts and that's why they asked for Mr K's new bank details. ClearBank is entitled to have its processes in place as to how it runs its accounts, and I don't think it's done anything wrong by requesting Mr K's bank details. I know Mr K hasn't wanted to provide the bank with his new account details. However as there is a process in place which Mr K can follow, I will leave it to Mr K to pass the details of its new account to ClearBank. I don't think ClearBank have done anything wrong by following this process.

Mr K asked ClearBank to provide statements for his account. I can see from the file that a link was provided via our service for Mr K to access the account statements and this was forwarded to Mr K by our adjudicator, so I'm satisfied he has had his statements as requested.

Mr K has also said he wasn't able to raise a complaint via the app as his account was blocked. However, I know the complaint was raised and the complaint was acknowledged shortly after. An FRL was issued regarding the complaint so I can't say that Mr K has been prejudiced by this. I won't be awarding any compensation for this.

Mr K mentioned losses he had incurred as a result of the block and closure. And he has provided us with evidence. As I've mentioned above, I think the account block and immediate closure was fair so I can't say that ClearBank should be held liable for any business losses incurred by Mr K. I can see that the direct debits for the mortgages went unpaid on 7 October and 21 October 2021. However, these mortgages were in the name of limited companies and not in Mr K's name. A limited company is a separate legal entity. This complaint is in respect of Mr K's sole trader business account so I can't see how Mr K has suffered a loss. But in any event Mr K was aware that the account had been closed on 30 September 2021 and so I would have expected him to make alternative arrangements to pay his mortgage direct debits. I don't think this was ClearBank's responsibility, so I won't be asking them to cover Mr K's losses.

In addition, the funds remaining in the account at closure were £266.67 which is substantially below any mortgage payments Mr K has said he has to pay, so I don't think his having access to this money would have prevented delays in paying the mortgages.

In summary having looked at all the information provided by both parties I'm satisfied that ClearBank acted fairly when they blocked and closed Mr K's account and I won't be asking them to pay any compensation.

### **My final decision**

For the reasons stated above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 19 October 2023.

Esperanza Fuentes  
**Ombudsman**