

The complaint

A company I'll call K complains that Cynergy Bank Limited (Cynergy) blocked and closed its account, without explaining why. And failed to properly investigate missing payments paid to K's account while it was blocked.

K is represented by one of its directors, Mr T.

What happened

On 18 August 2020, Cynergy blocked K's account. When Mr T called his relationship manager (RM) to find out what was happening, he was told the block was caused by a technical issue. However, the account remained restricted and Cynergy then wrote to K on 3 September 2020, giving it 15 days' notice of its intention to close its account.

Cynergy also took similar actions in respect of 2 other limited company accounts in Mr T's name, as well as his personal account. But this decision is solely concerned with K's account, and I will address the other complaints separately.

During the block, a number of payments were made to the account, which Mr T couldn't access. When Mr T called Cynergy to discuss the payments, he was told they'd been rejected and returned to source. But when Mr T checked the source account, the funds weren't there, so he complained.

Cynergy issued two final response letters to K. One on 17 September 2020 and another on 24 November 2020. In the first letter, it apologised for the inconvenience Mr T had experienced, but said it had decided not to accept K as a customer, and said it wasn't obliged to provide any further information.

Cynergy's second final response letter was sent after Mr T had complained about the missing payments, following the account block. In that letter, it explained that it can't accept credits to a blocked account, and that all such credits are returned to the sender. It listed the dates, references and payment types for each payment it had rejected, and confirmed that any payments destined for K's account after 18 August 2020 had been blocked and returned to sender.

Mr T didn't accept Cynergy's response, so he brought his complaint to our service. He said Cynergy had lied to him about the technical issue, and wanted to know the real reason his account had been blocked and closed. And he said he understood Cynergy could close his accounts, but didn't feel it was entitled to block the accounts beforehand. He later received the missing funds, but felt Cynergy was responsible for the delay in their return.

Our investigator looked at K's complaint, but she didn't uphold it. She said Cynergy had acted in line with its terms of business when it closed K's account, and that it wasn't obliged to share more detail about its reasoning. With regard to the missing payments, our investigator was satisfied Cynergy wasn't responsible for the delay. So, she didn't ask Cynergy to pay compensation to K to put things right.

Mr T didn't accept our investigator's findings. He said Cynergy had lied to him about the reasons for the block, and said the bank's actions put K in financial jeopardy. He asked for an Ombudsman to review the matter afresh.

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.

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 T and Cynergy 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. And because of the nature of those obligations, banks often don't disclose the reasons for their decisions to their customers. However, our service has obtained information and evidence relating to Cynergy's rationale, so while I can't disclose the reasons behind Cynergy's actions, I can assure Mr T that I have reviewed all of the germane evidence.

With that in mind, in order to make an award in favour of K, I would need to be satisfied that Cynergy acted unfairly or took actions it wasn't entitled to take. And, having looked at the evidence it relied on in reaching its decision, I'm satisfied Cynergy acted in line with its legal and regulatory obligations when it blocked K's account. And that it was entitled to do so under the account terms and conditions that governed the relationship between Cynergy and K. Because I'm satisfied Cynergy was entitled to block K's account, I won't ask it to compensate K for doing so, given it did nothing wrong.

Mr T also says that his RM originally told him the account was blocked due to a technical issue, and that he later found out that that was not the case.

But, as our investigator has explained, banking decisions are not always made by a single department and in circumstances like these, the rationale isn't always communicated to all members of staff. So, Mr T's RM may not have known why the account was blocked. And in any event, I'm satisfied Cynergy wasn't obliged to disclose the reasons for the block. So, Mr T's RM couldn't have given him any more information, regardless of whether or not he knew the true reason.

Mr T also said he was unhappy that Cynergy blocked K's account, pending closure. But a bank's ability to close an account isn't mutually exclusive from its ability to block an account. So, while I recognise the block will have caused K difficulty, I can't say Cynergy acted unfairly in blocking the account, for the reasons I've set out above.

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.

Cynergy gave K 15 days' notice to close its account in a letter dated 3 September 2020. It explained K's account no longer fell within Cynergy's criteria and confirmed the account would be blocked until it was closed. Cynergy referred our service to its terms of business which, at section 18.5 sets out the circumstances in which it can close K's account with less than 2 months' notice. The terms and conditions though don't oblige Cynergy to disclose the reasons for its decision to K, and I can see Cynergy didn't want to tell K why it closed the account.

With that being the case, I've looked at the evidence Cynergy provided our service to determine whether or not it acted fairly when it closed K's account. Having done so, I'm satisfied that it did and that it was entitled to close K's account without giving 2 months' notice. And that it doesn't have to explain the reasons for its decision to K.

Missing funds

The missing payments Mr T refers to were all made after Cynergy blocked K's account. And Cynergy has explained to our service that payments into a blocked account are rejected. It's also provided evidence to support that suggestion, and I'm satisfied that Cynergy didn't hold onto the payments or cause an unreasonable delay in their return. I've seen that the receiving bank didn't credit K's account immediately with the funds that had bounced back from Cynergy. But, while there is evidence that shows the receiving bank did cause a delay in K obtaining its funds, I haven't seen evidence to persuade me that Cynergy caused unreasonable delays.

K also made a separate complaint about the receiving bank causing delays in returning funds to K, and I have awarded compensation in respect of that complaint. But for the reasons I've set out above, and given K has been compensated, I won't ask Cynergy to compensate K for a delay in K accessing its funds.

Mr T also suggested that Cynergy didn't properly investigate what had happened to the missing funds. However, I'm not persuaded that was the case. Cynergy has provided evidence to show the funds were rejected promptly, and it set out a detailed report to Mr T in its 2nd final response letter. As I've set out above, the evidence supports my findings that K's other service provider did cause an unreasonable delay, and that Cynergy didn't. And, while I recognise it was frustrating for Mr T given his other service provider couldn't explain where the funds were, I'm satisfied Cynergy took reasonable steps to locate the funds. And I can't reasonably hold it responsible for the failings of another organisation.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 31 October 2023.

Alex Brooke-Smith
Ombudsman