

The complaint

E a company, complains that ClearBank Limited blocked its account and closed it without notice. E would like the closing balance released and compensation. E is represented by its director Mr K.

What happened

E had an account with ClearBank.

ClearBank carried out a review of E's account. They blocked the account on 29 September 2021. They asked Mr K to provide proof of entitlement to some payments that had come into the account. Mr K provided documentation on 30 September 2021. ClearBank informed E that its account would close with immediate effect on 30 September 2021. The bank asked E for a nominated account to transfer the balance of the account. The balance on the account was £3.84.

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

E complained to ClearBank. They said they should have given E notice earlier in order to give E a chance to make alternative banking arrangements.

E 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 E'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 on behalf of E had been acknowledged the next day and she could see that the statements E had requested had been sent to E.

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 representing E requested time to provide this service with further information. However, despite waiting three weeks for Mr K to provide this service with 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 an answer to their complaint. I have considered whether I have sufficient information on file to reach a fair and reasonable decision and I'm satisfied that I have so I have proceeded to review all the evidence provided to me by both parties.

Review and Block

I'll start by setting out some context for the review of E'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 E's account.

ClearBank blocked E's account and requested information about some payments into its account. E 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 E know it was closing the account with immediate effect. So, I've next looked at ClearBank's decision to close E's 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 E's account say that ClearBank can close an account in certain circumstances immediately and also by giving notice. ClearBank closed E's account with immediate effect. ClearBank later said to E in its final response letter (FRL) that they should have given E notice to allow E time to make alternative arrangements. When E referred the complaint to our service ClearBank said their terms allowed for immediate closure and they had acted fairly when closing E's account with immediate effect.

Because of the different statements made by ClearBank regarding the closure of E's account I've considered the impact these had on E and whether this caused E any detriment. On balance I'm not satisfied that it has. I say this because the account was always going to be closed, E was originally given immediate notice and by the time the FRL was sent on 26 November 2021 the account had closed. So being told E should have got more notice wouldn't change the outcome of E having to look for another account.

I have 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 E'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.

Closing balance

The account had a closing balance of £3.84. E has said they 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 E'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 E's bank details. I know Mr K hasn't wanted to provide the bank with E's new account details. However as there is a process in place which E can follow, I will leave it to E 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 E's account. I can see from the file that a link was provided via our service for E to access the account statements and this was forwarded to Mr K by our adjudicator, so I'm satisfied E has had its statements as requested.

E has also said it wasn't able to raise a complaint via the app as E's 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 see that E 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 of them. 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 losses incurred by E. I can see that the direct debits went unpaid on 7 October and 21 October 2021. Mr K was aware that the account had been closed on 30 September 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 £3.84 which is substantially below any mortgage payments Mr K has said he has to pay, so I don't think E having access to this money would have prevented delays in paying E's 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 E's account and I won't be asking them to pay any compensation.

My final decision

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

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

Esperanza Fuentes
Ombudsman