

## The complaint

A company I'll call H complains that Cynergy Bank Limited (Cynergy) blocked and closed its accounts, without explaining why, forcing H to re-finance a large secured loan it had with Cynergy.

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

## What happened

On 18 August 2020, Cynergy blocked H'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 H on 3 September 2020, giving it 15 days' notice of its intention to close its current account, and 90 days' notice of its intention to close H's loan account. Closure of the loan account meant H had to arrange new finance in the sum of £5m.

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 H's account, and I will address the other complaints separately.

H complained, but Cynergy maintained its position, so H sought to refinance the loan. It couldn't do so within the 90-day deadline, but Cynergy agreed to extend the deadline and H's Cynergy statements show the loan was finally repaid on 2 March 2021.

Cynergy issued its final response to H's complaint on 8 October 2020. It said it had acted in line with its terms of business, and said H could bring its complaint to our service if it remained unhappy.

Mr T didn't accept Cynergy's response, so he brought H's 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 He said he incurred substantial costs in agreeing the refinance, and he was unhappy that Cynergy had withdrawn the loan so soon after it had been agreed (in March of 2020).

Our investigator looked at H's complaint, but she didn't uphold it. She said Cynergy had acted in line with its terms of business when it closed H's account, and that it wasn't obliged to share more detail about its reasoning. She said Cynergy was entitled to call in the loan, and noted that H's new loan attracted a lower rate of interest, so she felt H hadn't suffered a loss and was actually left in a better position financially.

Mr T didn't accept our investigator's findings and made several representations in response. He said Cynergy had lied to him about the reasons for the block, and that it breached FCA regulations by not writing to H until 17 days after the block. He said H's account conduct hadn't changed substantially throughout H's 30-year relationship with Cynergy, so he didn't accept Cynergy had acted fairly, particularly given it had renewed H's £5m loan agreement less than 5 months earlier.

He said Cynergy's actions put H in financial jeopardy and set out the details of H's costs of refinancing, which outweighed any benefit it had gained via the reduced interest rate. 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 H, 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 H's account. And that it was entitled to do so under the account terms and conditions that governed the relationship between Cynergy and H. Because I'm satisfied Cynergy was entitled to block H's account, I won't ask it to compensate H 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. And that Cynergy breached FCA regulations by delaying for 17 days before writing to H.

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.

As to the timings, I understand Mr T's frustrations, but I'm not persuaded Cynergy breached any regulations by delaying its written communications. I'm satisfied it was undertaking an investigation during the early stages of the review, and I'm not aware of any regulations that require it to contact H within a certain timeframe in these circumstances. And in any event, for the reasons I've set out above, I'm not persuaded Cynergy was obliged to disclose the full extent of the position to H.

Cynergy's obligations in this regard are ongoing, so it can review an account at any time, so, while I fully understand Mr T's frustrations that this review came within 6 months of the new loan being incepted, that doesn't mean Cynergy wasn't able to carry out the review and Cynergy's obligations are overriding. And its enquiries at the time of the loan renewal would have focussed on repayment and affordability of the loan.

So, while the timing is certainly unfortunate, I'm not persuaded Cynergy was obliged to carry out the review before agreeing the loan (the two incidents are separate matters) and I'm not persuaded it was prohibited from carrying out the review because it had recently agreed the loan.

Mr T also said he was unhappy that Cynergy blocked H'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 H 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 H 15 days' notice to close its account, and 90 days' notice to close its loan account, in a letter dated 3 September 2020. It explained H'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 H'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 H, and I can see Cynergy didn't want to tell H 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 H's account. This includes its reasons for the review and closure and the evidence it reviewed.

Having done so, I'm satisfied that it did and that it was entitled to close H's account without giving 2 months' notice. And that it doesn't have to explain the reasons for its decision to H.

In light of the review I've mentioned above, the terms of the loan agreement enabled Cynergy to call in the loan immediately, and without notice. And so, I'm satisfied Cynergy was entitled to call in the loan in the manner it did, for the same reasons I'm satisfied it was entitled to block and close H's accounts.

Further, it was a term of the loan agreement that H maintained a current account with Cynergy until the loan had been repaid. So, H was in breach of the agreement as a result of the current account being withdrawn. And while that wasn't H's decision, because I'm satisfied Cynergy was entitled to close the account, the fact remains that H didn't meet the criteria of the loan. Which further supports Cynergy's entitlement to cancel H's loan.

With regard to the notice period given, when Cynergy called in the loan, it gave H 90 days to arrange alternative finance. But it extended that period twice at H's request, eventually up to the end of February (from the initial notice on 3 September 2020). So, although I have no doubt it would have been difficult for H to arrange finance at short notice, I'm satisfied H acted reasonably in that it gave more notice than it was obliged to do, and because it extended that notice twice on request, which enabled H to complete the re-finance.

#### *Refinancing costs*

Our investigator suggested that H was better off as a result of the re-financing because it agreed a lower rate of interest on the new loan, which would have saved a significant amount of money over the term of the loan. But in response, Mr T set out the extent of the costs incurred in organising the re-finance. Those costs included valuation fees and legal fees among other costs. And Mr T estimated he incurred over £90,000 of additional costs against an interest saving of approximately £60,000.

And I accept that H was not in a better position financially because of the new loan, despite the interest saving. However, for all of the reasons I've set out above, I won't ask Cynergy to reimburse H's costs of re-financing. Cynergy was entitled to take the actions it did, so the costs H incurred were not as a result of a mistake on Cynergy's part. And I haven't seen any other basis on which I can reasonably ask Cynergy to compensate H, given I'm not persuaded it made an error.

I have no doubt that this situation caused Mr T and H significant disruption. But because Cynergy was entitled to take the actions it did, it wouldn't be appropriate for me to tell it to compensate H.

### **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 H to accept or reject my decision before 31 October 2023.

Alex Brooke-Smith  
**Ombudsman**