



Case Study: Banking

BANK CAUSED UNNECESSARY INCONVENIENCE TO CUSTOMER DURING ACCOUNT SUSPENSION AND CLOSURE

Themes: delay, documentation, lack of clear guidance, non-resident customer, consequential loss, account closure, reasonable notice.

Mr E lived in Africa. He complained that Bank A suspended his account, and later closed it, without cause – and that this resulted in the loss of a business opportunity.

In order to minimise fraud, banks are required by law to hold certain ‘know your client’ information about their customers. When Mr E notified Bank A of his change of address, it realised that the information it held was incomplete.

In August 2014 the bank asked Mr E for proof of his address. In October 2014 it sent him a reminder. Mr E said that he sent the information in November 2014. The bank said it did not receive it. In December 2016 the bank suspended Mr E’s account.

In December 2014 Mr E sent the bank a tenancy agreement to confirm his address, but this was in the name of a company rather than Mr E – so, after checking with its compliance team whether it was possible to obtain an exemption, the bank concluded that the evidence was insufficient to meet the bank’s legal obligations.

In February 2015 Mr E opened an account with Bank B, which sent Bank A a printout of Mr E’s address. Bank A did not consider that was sufficient, and it was not until 3 June 2015 that Bank A received sufficient evidence from Bank B. On 23 June 2015 Bank A lifted the suspension from Mr E’s account. Bank A offered Mr E compensation of £100 for the short delay from 3 June to 23 June.

In October 2015 the bank again wrote to Mr E giving him 60 days’ notice of its decision to close his account. In December 2015 the bank closed the account.

In January 2016 Mr E phoned the bank. It said that he could obtain the funds on the closed account by sending in a written payment instruction. Mr E sent such an instruction, but the bank responded that it needed supporting documentation, including a certified copy of his passport and confirmation of his home address. Mr E arranged for Bank B to provide information to Bank A, which released his funds 20 days after it had received his original written payment instruction.

Mr E complained about Bank A’s original suspension of his account. He said that it was unreasonable in asking for a residential postal address, as there was no such system in the country where he lived. The suspension of his account had caused him inconvenience, and he had lost a business opportunity in Asia. He also complained about the subsequent closure of his account and said he had been given insufficient notice.

Conclusion

In respect of the suspension of the account, we concluded that Bank A had not acted unfairly. It had no choice but to comply with its legal obligations. It followed that the bank was not responsible for the loss of the business opportunity to which Mr E referred. The bank had been a little slow in lifting the suspension once it received the necessary information, but we considered that the £100 compensation for this already offered by the bank was sufficient.

In respect of the later closure of the account, banks are normally free to decide with whom they will do business (provided there is no illegitimate discrimination). We decided that the bank's decision to close Mr E's account was a legitimate exercise of its commercial judgement, and there was no evidence that it had done so for an illegitimate reason. It was required to give him reasonable notice, and the 60 days it had given him was sufficient. But the bank had erred in causing delay in transferring the money from the closed account. Despite its previous experience of difficulties caused by his residence in Africa, it had failed to tell him accurately what documents would be required. We decided that the bank should pay Mr E a further £500 for the inconvenience he had been caused by this.