



Case study: Investment/Funds

ONLINE INVESTMENT ACCOUNT BLOCKED PENDING DUE DILIGENCE REQUIREMENTS

Themes: inadequate policies and procedures; confusion between bank group entities; out of mandate.

This complaint related to the bank making repeated requests to provide updated customer information and applying restrictions to an online investment account pending receipt of the information.

Mrs F has a number of accounts with a bank group that has entities in the UK and the Channel Islands. Mrs F holds an online investment account with the UK entity and other accounts with the Channel Islands entity.

The investment account held with the UK entity had been blocked in 2018 because the bank required Mrs F to complete a form to confirm how her investments in the United States should be treated for tax purposes. The bank made a number of requests for information which Mrs F attempted to comply with but each time the bank said there were issues either with the information being incomplete, the wrong form being completed, or Mrs F not supplying the right supporting evidence. Towards the end of 2018 the issue was resolved, and the UK entity of the bank confirmed it had all the documentation it required from Mrs F and that the restriction had been lifted. The bank also paid her some compensation for the poor way it had handled things.

In February 2020 Mrs F received another letter from the bank which explained she would need to complete and return the same form for her investment account. Mrs F got in touch with the UK entity of the bank group. She reminded them that they had previously confirmed the bank had everything it required. As a result, she did not think she should need to provide anything else.

The UK entity of the bank group advised Mrs F that the letter had been sent by the Channel Islands entity so the UK bank could not assist her. She was directed to take her complaint to the Channel Islands entity. The UK bank said it had sent copies of her documents that has previously been accepted as being sufficient to meet their requirements. The Channel Islands entity insisted that Mrs F would need to complete the form and provide the supporting documentation again. In the meantime, the online investment account was blocked because the bank had not received the required forms.

Mrs F could not understand why the bank insisted she had not provided adequate information and resubmitted the required forms a number of times over the course of several months. She was repeatedly told that additional information was required despite being previously assured that the only thing missing was the completed form.

Mrs F made a complaint to the bank as she believed that she had now lost several investment opportunities due to the inability to trade during the time the account had been blocked. Mrs F believed that her total losses for the time that the account had been restricted could amount to as much as £50,000 and made a complaint to the bank for the repeated blocks of her online investment account, the way the bank had responded to her complaint, and the repeated delays she had experienced.

In March 2020, the bank provided a final response to Mrs F's complaint advising that the forms had been outstanding since 2014 when it first requested them. The bank said she had not correctly completed the required forms and that Mrs F had been sent repeated reminders to provide all the necessary details. The bank advised it had written to Mrs F again in 2018 after she had complained and advised it was still awaiting the correctly completed forms. The bank also advised that further clarification was sent to Mrs F in January 2020 explaining what information was required and she was warned that without this her account would be blocked. Unhappy with the bank's response Mrs F brought her complaint to CIFO.

CIFO investigated and noted that the UK entity of the bank had previously accepted Mrs F's documentation which she had provided with the assistance of a branch of the Channel Islands entity. CIFO queried why this due diligence was not shared between the bank's branches at this time or why no further chasers had been sent to Mrs F if the bank felt the documentation had not been sufficiently completed since 2014.

The bank initially explained that Mrs F had not provided the requested forms for several years, so its actions were reasonable. However, when asked to provide evidence to support its position, the bank explained that the only account that had access restricted was the UK product. It concluded therefore that Mrs F's complaint was out of CIFO's mandate and that it should never have been addressed by the Channel Islands entity. The bank also confirmed that there were no longer any restrictions on the account.

CIFO agreed that it could not consider the complaint regarding the activity being complained about so far as it related to the UK entity. Although the complaint, as brought, was now clearly out of mandate for CIFO to review, the case handler explained to the Channel Islands entity of the bank group that it had significantly contributed to the issues Mrs F had experienced and that it would be appropriate for the Channel Island's entity of the bank to offer compensation for its own errors. The bank agreed to offer Mrs F £250 in compensation, arranged for the UK entity of the bank to contact her as a matter of urgency to resolve the outstanding issues, and confirmed the correct ombudsman scheme to address the complaint to if she remained unhappy with the UK entity's handling of her complaint.