

The complaint

Business L, represented by Mr C complains The Co-operative Bank Plc unfairly blocked L's business account and caused delays in removing the restrictions.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Business L held an account with Co-op which was blocked on 5 October 2023. Co-op asked Mr C for details regarding L's account and Mr C provided this information on 16 October 2023.

The information was reviewed and the blocks on the account were removed on 3 December 2023. Mr C complained about the block on the account and the time taken to review the information he provided and remove the block. Mr C also raised concerns about the service he received. Co-op reviewed Mr C's complaint and explained the block was necessary given its regulatory duties.

Mr C remained unhappy with Co-op's response, explaining the lack of access to his account had a detrimental impact on his business and he had incurred significant losses. Mr C referred the complaint to this service. An Investigator reviewed the complaint and found the following:

- The account review was fair given Co-op's legal and regulatory obligations.
- However, given the timeline they agreed the review took longer than it should've.
- The service Mr C received wasn't at the level it should've been.

In order to put things right the Investigator recommend Co-op pay Mr C £100 for the distress and inconvenience caused by the delays in reviewing Business L's account. They also recommend Co-op pay 8% interest on the funds held in the business account from 17 October 2023 until 3 December 2023. Mr C said he still couldn't access Business L's account, so the Investigator recommended Co-op assist Mr C with access within 14 days.

Co-op accepted the recommendations. Mr C remained unhappy, explaining that Co-op had provided a very poor service and the impact of the block and delays meant he should be compensated in the region of £8,000. Mr C referred to his visits to branch where he was told he could not access funds. In light of Mr C's comments, the Investigator recommended an additional £50 distress and inconvenience payment which Co-op accepted. Mr C didn't accept this increased offer, explaining his concerns hadn't been properly addressed.

As no agreement could be reached the complaint has been referred to me – an ombudsman – for a final decision.

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'm aware that I've only summarised Mr C's complaint points. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. I can assure Mr C I have carefully considered his points. I will deal with the key points in turn.

Account block

Co-op is strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to restrict customer's accounts – either in full or partially while they carry out their review. As part of the review, Co-op is also able to make enquiries about transactions on an account. These measures help ensure Co-op is able to effectively meet its obligations in relation to financial crime. Co-op also isn't obliged to provide notice of any review.

Business L's account terms and conditions also allow Co-op to block the account to ensure it's able to comply with its regulatory requirements. I understand Mr C's frustration with the block, and I don't doubt it would've had a detrimental impact on Business L. I've looked at the reasons Co-op placed blocks on Business L's account, and I'm satisfied Co-op acted in line with its obligations and acted both fairly and reasonably. So, I don't think Co-op did anything wrong when restricting Business L's accounts.

Delays and poor service

Business L's account was restricted for around 8 weeks. Co-op received information from Mr C about a specific transaction in early October 2023, and it was reviewed, and Co-op deemed it sufficient to unblock the account. However, the account was only unblocked on 3 December 2023.

Given the severity and impact an account block can have, I would've expected Co-op to act in a much timelier way. Co-op says the delay was due high volume of reviews, but I don't think this is an adequate reason given the impact a block can have. Taking the above into consideration, I agree that the assessment should've been completed by 17 October 2023 as this would've been a reasonable time for Co-op to have carried out its review and accompanying due diligence.

Alongside the delays, Mr C has complained about the service he received from Co-op. I can see there have been issues with contact, with Mr C saying he did not receive call backs as agreed. Mr C has also explained he is still having issues accessing Business L's account.

Looking at the available evidence I can see the service provided could've been better at what was a stressful and worrying time for Mr C. Mr C says he was informed he wasn't able to access the account at all for funds when in branch. Co-op reviewed Mr C's point and, in its letter, dated 4 October 2023 it explained Mr C could withdraw wages or benefits provided he could evidence this. This is generally the standard approach when an account is blocked to limit the impact on an individual and ensure they have access to essential funds. I can't say for certain what was discussed with Mr C in branch, but I am satisfied that he was informed of this option by Co-op in this letter, and this was early in the account block period.

Co-op agreed with the Investigator's recommendation that it compensate Mr C with £150 for the poor service, and it pay interest on the funds held in the business account. Mr C says this amount fails to recognise the impact the block and delays had on him and his business. I do appreciate the block of the account would've caused him some difficulty as Mr C appears

to have used the account regularly for Business L. But as already acknowledged Co-op's block was fair given its duties and the circumstances of this complaint.

Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. I can see Mr C feels the £150 recommended is inadequate, but our awards are not intended to be punitive for businesses. Mr C has provided specific details of work he has lost out on, and although I don't doubt there will be some losses related to Co-op's actions, I don't think it would be fair to hold Co-op liable for these. The primary purpose of our awards for distress and inconvenience are to recognise the impact on a consumer where there have been shortcomings. In Mr C's case I'm satisfied the £150 compensation award recognises the stress and inconvenience caused and I don't consider it appropriate to increase this any further.

I must also highlight that the interest applied to the balance on Business L's account is to represent the fact Mr C was deprived of access to these funds due to the delays Co-op caused. Co-op has explained Business L's account is open and Mr C should be able to access it as normal. If Mr C is having continuing issues, it has encouraged him to contact its business customer services team.

I know this will not be the outcome Mr C was hoping for, but I am satisfied Co-op acted reasonably in blocking the account. I know Mr C will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Co-op to take further action.

Putting things right

To put things right, The Co-operative Bank Plc should do the following:

- Pay Mr C £150 for the poor service and delays it caused when it reviewed Business L's account.
- Pay 8% interest on the funds held in the business account from 17 October 2023 until 3 December 2023.
- Ensure Business L's account is fully operational.

My final decision

My final decision is that I uphold this complaint and direct The Co-operative Bank Plc to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 12 September 2024.

Chandni Green
Ombudsman