

## The complaint

Mr H is a director of a company, which I will call L.

He complains on L's behalf that in September 2022, Starling Bank Limited wrongly refused to remove restrictions on L's bank account. He says Starling should pay around £1,000 for lost sales, inconvenience, and damage to reputation.

## What happened

Starling told us:

- In September 2021, Mr H called to say that another of L's directors had made a large transfer from L's Starling bank account without permission.
- It believed there was a dispute between L's directors, and so it applied restrictions to L's account in order to protect the company.
- In early May 2022 it became aware that an individual had been removed from the Companies House register as both a director and a Person of Significant Control (PSC) for L. That meant there were only two remaining directors, Mr H and a Mr W. Companies House listed both Mr H and Mr W as PSCs for L and said that both Mr H and Mr W had the right to appoint or remove directors. Starling wrote to Mr H to say that it would remove the restrictions on L's account if both Mr H and Mr W agreed that the director dispute had been resolved.
- It briefly lifted the restriction on 19 May 2022 to allow a payment agreed by both Mr H and Mr W. It placed restrictions back on L's account the following day, 20 May 2022, because it believed the two directors still disagreed with each other about the account.
- In June 2022 it asked for information about the status of the director dispute but did not receive a reply. L's account therefore remained restricted.
- In September 2022 Mr H called Starling asking it to remove Mr W from L's account. The following day, Companies House's records showed that Mr W had resigned as a director. However, the bank spoke to Mr W and he said that the director dispute was not resolved. Mr W's position was that Mr H should not have removed him as a director.
- It spoke to Mr W to explain that it was still not prepared to remove the restrictions on L's account. Mr W was no longer a director of L – but he was still listed on Companies House's Register as a PSC for L, and he had the right to appoint and remove directors. The bank was therefore not prepared to remove the restrictions until both Mr H and Mr W agreed that it should.

- On 30 September 2022, it issued a 60-day notice to close L's account. It actually closed the account on 30 January 2023, slightly more than 60 days later, and paid £50 to apologise for its delay.
- Overall, it is satisfied that it applied restrictions to L's account correctly. There was an ongoing dispute over the ownership of L's assets, and a dispute about whether a director had been illegally removed.
- It acknowledged that it had given poor service to Mr H, in that it had failed to call him back as promised. It also failed to give Mr H the information it should have done about how he could raise complaints. It has paid L and Mr H a total of £270 by way of apology for that poor service (£200 to L in October 2022, then a further £70 to Mr H in February 2023). I understand those payments were in addition to the £50 for the delayed closure.

One of our investigators initially said that she didn't think it was appropriate for the Financial Ombudsman Service to consider L's complaint about Starling, on the grounds that the complaint was inextricably linked to the dispute between L's former directors. She didn't think we should look at the complaint without the consent of everyone involved.

On further reflection, our investigator changed her mind. She said that since Mr H is now the only remaining director of L, we only need Mr H to give us permission to consider L's complaint. She also said that she didn't think Starling had acted fairly. She thought the director dispute had been resolved in September 2022 (from the date on which Mr H became L's sole director). So, from that date onwards she didn't think Starling should have continued to insist on authorisation from Mr W, or indeed from anyone other than Mr H. She said Starling's error caused unnecessary inconvenience to the company, and she recommended that it pay £500 in compensation for the inconvenience caused.

Starling accepted our investigator's conclusions, but Mr H did not. He said he thought £500 was fair for the inconvenience, but it did not cover the financial loss his company had suffered.

I issued a provisional decision on this complaint in April 2024. Briefly, I said I thought it was reasonable for Starling to have declined to remove the restrictions on L's account. That is because Starling was aware – because Mr W had told it – that Mr W's position was that he had not "resigned" as a director, and had instead been "illegally removed". Mr W and Mr H were both still showing as a Person with Significant Control (PSC) at Companies House, and both were still showing as a person with the right to appoint and remove directors. So, I said I understood why Starling had taken the view that the so-called "director dispute" had not in fact been resolved. The dispute was by that stage amongst people entitled to control the company, rather than strictly between directors, but I still thought it was reasonable for Starling to refuse to remove the restrictions on L's account.

Starling accepted my provisional decision, but Mr H did not. He asked if it was still possible to accept Starling's previous offer of £500, but the bank said it would now prefer me to clarify my stance by issuing a final decision.

Given that I issued my provisional decision in April 2024, I am satisfied that both parties have had a fair opportunity to provide me with any further evidence they wish me to consider. I acknowledge the possibility that further information may come to light at a later stage, but it would not be fair to either party for me to keep our files on this complaint open indefinitely. I am therefore issuing this final decision now, as our rules allow me to do.

## **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.

Having done so, I have come to the same conclusions as I did in my provisional decision, for the same reasons.

I know Mr H will be very disappointed in my findings, particularly as our investigator thought Starling should pay some compensation. But I am required to reach my own opinion, and I am not bound by what our investigator has said.

Here, Starling was faced with a situation in which two people associated with L, Mr H and Mr W, were clearly in dispute with each other. Companies House showed that both of those people owned shares in the company, and both were entitled to add or remove directors – yet there was a dispute between them as to who the company's directors should be, and who should be entitled to give instructions to Starling with respect to the company's bank account.

In the overall circumstances, I am satisfied that Starling treated L fairly when it restricted the company's bank account.

## **My final decision**

My final decision is that I do not uphold this complaint against Starling Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 16 August 2024.

Laura Colman  
**Ombudsman**