

The complaint

Mr and Mrs P complain that Starling Bank Limited contacted them to say they may have breached the terms of their joint account and threatened to 'debank' them.

What happened

Mr P says that Starling Bank contacted him on 22 March 2024 suggesting that the joint account he held with Mrs P was being operated in breach of the account terms and conditions. He said the account had been operated without issue for a long time and they weren't using it for business purposes. When he asked Starling Bank to explain the issue, he was told that receipt of rental income from property constituted business use. Mr P explained that they have three buy to let properties which he said weren't a business but a personal investment. He said he looked at the terms and conditions and while they said the account was for personal use there was no definition or explanation of this.

Starling Bank issue a final response to Mr P's complaint dated 18 April 2024. It said that it had correctly contacted Mr P about the possible breach of the account terms. It explained that its joint current accounts were for typical day-to-day use and provided examples of activity that may constitute business related use. It asked that any activity not in line with typical day to day personal use be redirected and said that if no change was made it may need to review whether it could continue to provide him with banking services.

Mr P wasn't satisfied with Starling Bank's response and referred his complaint to this service. He said Starling Bank's approach to buy to let income was at odds with other financial and professional institutions, including HMRC and given this it should have been made clear in the account terms and conditions. He said that being accused of being in breach of the account terms and threatened with being debanked caused distress. He said that it didn't make sense to have the buy to let income paid into a separate account and so he decided to switch banks, which caused further inconvenience and distress.

Our investigator didn't uphold this complaint. He didn't think that it was unreasonable for Starling Bank to consider buy to let income as business use and while he noted Mr P's comment about this not being the approach taken by other institutions, he said this was a business decision for Starling Bank. He didn't think that Starling Bank had done anything wrong or acted unfairly in the actions it took.

Mr P didn't accept our investigator's view. He reiterated that they had no way of knowing that receipt of buy to let income would be considered as business use before Starling Bank contacted him. He said that the first message from Starling Bank didn't make it clear that the issue was with the buy to let income and just threatened to debank them. He said this wasn't treating them fairly. He said that the terms refer to 'personal' and 'day to day' use which were subjective terms. He explained that they had moved to Starling Bank for a more modern banking experience and that their previous bank had no issue with them receiving the buy to let income into their account. Mr P also noted the bank they had switched to asked how much rental income they expected to receive, and the account was also for personal use. He said that Starling Bank's approach was not in line with other institutions.

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.

I can see that Mr P has been caused distress by receiving notification that his joint account with Mrs P might be being operated outside of the account terms and conditions. I have looked at the notification that Starling Bank sent, and this appears generic in nature. It sets out that its joint current accounts are for typical day to day use and provided a link to the account terms and conditions. While it provided examples of what might fall outside of day to day use and may constitute business use, it didn't set out what its specific concerns were with the account usage. As Mr and Mrs P hadn't considered their buy to let income as business income, I can understand why they were unsure as to why they had received the notification and concerned by the comment that if action wasn't taken banking services may no longer be provided.

Mr P asked Starling Bank why he had received the notification. On 28 March 2024, Starling Bank responded to Mr P and said that the rental income being received from three properties constituted a business activity. While I understand that Mr and Mrs P do not agree with this approach, I find that Starling Bank did provide the clarification needed within a reasonable timeframe for Mr and Mrs P to understand the issue.

Mr and Mrs P's complaint is that Starling Bank's approach to considering their buy to let income as business income is not in line with the approach taken by other institutions. And that, given this it should have been clearer about this in the account terms and conditions. I have considered both of these points.

Starling Bank will set its own policies regarding the use of its accounts and my role isn't to comment on its business approach but instead to consider whether it has done anything wrong and / or treated Mr and Mrs P unfairly. In this case, Starling Bank has said that it considers the receipt of rental income as a business activity. As this is its policy, I cannot say it was wrong to contact Mr P when a review of the joint account identified this income. Also, I cannot say that Mr and Mrs P have been treated unfairly by Starling Bank applying its usual approach in response to the rental income. So, while other institutions may not consider income from buy to let properties such as Mr and Mrs P's as business income, this doesn't mean that Starling Bank has done something wrong by taking this approach as long as it is applying it fairly to all customers, and I have nothing to suggest this isn't happening.

Mr P has said that Starling Bank's terms and conditions should have made it clear that the buy to let income would constitute a business activity and a breach of the joint current account terms. I have looked at the joint current account terms and these say that the account is for personal use only. I agree that the terms used aren't specific and that it isn't mentioned in the terms and conditions that buy to let income from properties held in a personal capacity will be treated as business activity. But, I also accept that the terms will not provide examples of all activities considered to be business activity and as Starling Bank has provided its approach in response to Mr P's questions I find that he has been given the information he needs to make a decision as to whether the account is suitable for him and Mrs P.

In conclusion, I have considered the points Mr P has raised but, as explained, it is a business decision for Starling Bank as to how it considers rental income received into personal accounts. I agree that the initial communication about the possible breach could have been clearer but as further information was provided in response to Mr P's question in a timely way I find this reasonable. So, while I do not underestimate the frustration and upset this issue has caused, and I note Mr and Mrs P have moved their account to another

provider, I do not find that the evidence shows Starling Bank did anything wrong or treated Mr and Mrs P unfairly. Therefore, I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs P to accept or reject my decision before 1 October 2024.

Jane Archer
Ombudsman