

The complaint

A limited company, which I'll refer to as 'D', complains that Starling Bank Limited restricted access to its accounts for one of its employees.

This complaint is brought to this service by one of D's directors, whom I'll refer to as 'Mr C'.

What happened

On 7 February 2024, Mr C noticed that Starling had restricted D's business bank account. At that time, Mr C was not a director of D, but he was responsible for the day-to-day running of the business, including conducting the business banking.

Mr C contacted Starling and asked why D's accounts had been restricted. Starling explained to Mr C that a routine check into D had shown that D had appointed a new director who was D's sole director and whom Starling had no record of, and that the accounts had been restricted until Starling could onboard the new director and update their records for D.

Mr C wasn't happy with Starling's explanation, and explained that the current sole director of D, whom I'll refer to as 'Mr X', had been the sole director of D since D had opened the business account with Starling several years prior, and that nothing had changed.

It was later recognised by Starling that Mr C was correct, and that Starling had made a mistake by allowing Mr C to open a business account for D in the first instance. This was because Starling requires a company director to open a business account and had mistakenly allowed Mr C – who was not a company director – to open and then administer D's account.

Starling explained this to Mr C and suggested that Mr X take over the administration of the account and contact them to arrange the lifting of the account restrictions, or that Mr C could be appointed as a director for D which would then satisfy Starling's requirements and allow them to remove the restrictions from D's account and allow Mr C to continue to administer it.

Mr C wasn't happy with the position that Starling had taken and raised a complaint on D's behalf. Mr C also arranged to have himself appointed a director of D and instructed the transfer of all the funds held in D's Starling bank account to a business bank account held with another provider.

Starling responded to D's complaint and confirmed that Mr C should never have been allowed to open an account on D's behalf in the first instance, and that it was because Starling had later recognised that Mr C didn't meet their requirements to administer a business account that D's accounts had been restricted. Starling apologised to Mr C for what had happened and offered to pay £250 to him as compensation for any inconvenience and frustration he may have experienced. Mr C wasn't satisfied with Starling's response, so he referred D's complaint to this service.

One of our investigators looked at this complaint. They noted that while Starling had offered to compensate Mr C for the trouble and upset that he'd experienced personally, that this

service was unable to instruct Starling to do anything further in this regard, given that the eligible complainant here was D, the business, and not Mr C, the person.

However, our investigator did feel that by not removing the restrictions from D's account as quickly as they could have done, that Starling had prevented Mr C from moving D's money to an alternative business bank account where it could have earned a higher rate of interest. Our investigator therefore said that Starling should reimburse the interest that D could have earned on the other bank account for the time that Starling had unfairly restricted D's account. Starling didn't agree with our investigator in this

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 issued a provisional decision on this complaint on 17 July 2024 as follows:

Starling have acknowledged that they made a mistake here, and they've said that they should never have allowed Mr C to have opened and then administered a business account for D, because he didn't meet their requirements to do so. But having later recognised in February 2024 that Mr C didn't meet their requirements, I feel that Starling reasonably should have handled matters differently to how they did here.

Specifically, regardless of whatever processes Starling may have in place, I don't feel that it was fair for Starling to have restricted D's accounts without providing any notice of their intention to do so as they did here.

Instead, given that Starling appears to have had no issue with how Mr C had administered D's accounts up until February 2024, and given that it was Starling that had made the initial mistake in allowing Mr C to open and administer the business account for D, I feel that a fairer approach would have been for Starling to have contacted Mr C in advance of restricting D's accounts.

Starling could then have clearly explained the situation to Mr C and explained that Starling would restrict D's accounts in (for example) 14-days, unless the necessary steps were taken to resolve the situation or if D's accounts displayed a sudden change in how they were used. And I feel that if Starling had adopted this more common-sense approach that the impact of Starling's initial mistake on D would have been reduced and D's complaint about what's happened here potentially avoided.

However, when assessing the impact of the actions Starling did undertake here, I can only assess the impact of those actions in relation to D, the limited company. And I can't consider the impact of what's happened here on Mr C personally. This is because the eligible complainant here is D, the limited company, given that the business account in question is in D's name. And where a limited company is the eligible complainant, this service can't consider awarding any compensation to the directors of that company for the impact of what happened on those directors personally. Instead, this service can only consider the impact of what happened on the limited company itself.

Accordingly, the first thing I've considered is whether D incurred any demonstrable financial losses because of what happened. But Mr C has confirmed that D didn't incur any losses because he was able to keep the business expenses going by using another bank account held by D – although it did require several hours of effort from Mr C to arrange. Additionally, all of D's money held in the Starling account did become available to D again when the restrictions were eventually removed by Starling.

As such, I'm satisfied that there is no corrective action required of Starling to return D to the financial position it should have been in, had Starling acted more fairly. And this is because there was no demonstrable financial impact on D of what happened, as explained above.

I've therefore moved on to consider whether any compensation for D might reasonably be merited here. However, given that the eligible complainant here is D, a limited company, I'm unable to consider awarding compensation for frustration or upset. This is because a limited company is not a person and so is unable to experience frustration or upset. And, while such emotions were clearly experienced by Mr C, I'm unable to consider the impact of what happened here on Mr C, as previously explained.

I am, however, able to consider the inconvenience and trouble that D may have unfairly experienced because of Starling's actions here. And it's clear that Mr C, acting as a representative of D, was troubled and inconvenienced by what took place, including by having to hastily move D's business banking to the alternative account and by later being compelled to move D's business banking permanently away from Starling.

However, I've also considered that Starling have offered to pay £250 compensation to Mr C because of what happened. And while Starling can consider Mr C's personal upset when offering this compensation, I must consider this offer within the context permitted by this service, which is regarding any trouble or inconvenience D may have experienced. And, ultimately, I feel that Starling's offer of £250 compensation does represent a fair outcome regarding the trouble and inconvenience Mr C experienced while acting as a representative of D.

Finally, I note that our investigator recommended that Starling should make a payment to D representing interest that D was prevented from earning on the business account it moved its money to, because of the restrictions Starling imposed on D's Starling account.

I'm not in agreement with our investigator in this regard, and I won't be instructing Starling to make any such payment. One reason for this is because D was free to move its money to a higher interest-paying bank account at any time before Starling restricted its account but chose not to do so. And given that D hadn't previously moved its business banking to a higher interest-paying account previously, I don't feel it's fair to instruct Starling to pay a loss-of-interest payment to D here as our investigator suggested.

All of which means that while my provisional decision here is that I will be upholding this complaint in D's favour, my only instruction to Starling is that they must pay the £250 compensation to D that they've already offered to pay.

Mr C responded to my provisional decision and reiterated that he had spent considerable time and effort, in his role as a director of D, resolving what happened, including in opening the alternative bank account for D. And Mr C feels that this should be taken into account by myself when considering the matter of compensation.

I'd like to reassure Mr C that I have taken his trouble and inconvenience when acting as a director of D into account here. This is as per the following sections to the provisional decision:

I am, however, able to consider the inconvenience and trouble that D may have unfairly experienced because of Starling's actions here. And it's clear that Mr C, acting as a representative of D, was troubled and inconvenienced by what took

place, including by having to hastily move D's business banking to the alternative account and by later being compelled to move D's business banking permanently away from Starling.

However, I've also considered that Starling have offered to pay £250 compensation to Mr C because of what happened. And while Starling can consider Mr C's personal upset when offering this compensation, I must consider this offer within the context permitted by this service, which is regarding any trouble or inconvenience D may have experienced. And, ultimately, I feel that Starling's offer of £250 compensation does represent a fair outcome regarding the trouble and inconvenience Mr C experienced while acting as a representative of D.

Mr C also notes that D, the company, are accountable to compensate him as a director for the extra work that he had to do because of Starling's error, and he feels that Starling should fairly be instructed to cover that additional cost to D, separate to the compensation they've offered to pay.

I'm not in agreement with Mr C in this regard. Instead, I feel that the £250 compensation amount payable to D for the trouble and inconvenience Mr C has experienced when acting as D's director is paid in consideration of those additional efforts that Mr C has had to make. And, to confirm, I continue to feel that £250 is a fair amount, given what happened here.

Finally, Mr C also reiterated his belief that Starling should be instructed to pay a loss-of-interest amount to D, because D was prevented from moving money to an interest bearing account for a period of time by Starling. However, I covered this point in my provisional decision as follows:

I won't be instructing Starling to make any such payment. One reason for this is because D was free to move its money to a higher interest-paying bank account at any time before Starling restricted its account but chose not to do so. And given that D hadn't previously moved its business banking to a higher interest-paying account previously, I don't feel it's fair to instruct Starling to pay a loss-of-interest payment.

I appreciate that Mr C disagrees with my position on this matter, but I confirm that the above remains my position and that I won't be instructing Starling to pay any loss-of-interest payment to D.

All of which means that I see no reason not to issue a final decision here whereby I uphold this complaint in D's favour on the basis explained in my provisional decision above. And I confirm that my final decision is that I do uphold this complaint on that basis accordingly.

Putting things right

Starling must make a payment of £250 to D.

My final decision

My final decision is that I uphold this complaint against Starling Bank Limited on the basis explained above.

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

Paul Cooper

Ombudsman