

The complaint

Mrs H complains that The Co-operative Bank Plc blocked and then closed her account with it, without telling her why and without keeping her informed about what was happening. She says too that the bank did not release funds from the account when it said it would.

What happened

Mrs H held an account with Co-op Bank, which was largely inactive. In January 2024 she began transferring money into it from a savings account with another provider, and then transferring money out of it to repay money she owed to her sister. She has explained that the nature of the savings account meant that she could not transfer funds directly from that account to her sister's account.

Co-op Bank blocked the account. Mrs H found out about the block when she tried, unsuccessfully, to log onto it on 29 January. When she contacted the bank about her inability to use the account, it said that it had been concerned that Mrs H had been the victim of a fraud. Mrs H explained that she had been transferring money to her sister, but the bank said it wanted to review matters itself.

Co-op Bank transferred funds in the account – around £70,000 at the time – internally, so they did not appear on the account balance. The bank did not tell Mrs H that it was doing so.

On 12 June 2024 the bank wrote to Mrs H to say that it would be closing the account with immediate effect. Its letter said that the account balance had been returned. In fact, funds had not been returned at that point. Co-op Bank sent Mrs H a cheque for the account balance at the end of July 2024. However, because of an admitted error on the part of the bank, the cheque was not paid and had to be re-issued.

Co-op Bank said it had acted reasonably in blocking the account, but it accepted that its review had taken longer than it should have done and it offered Mrs H £350 by way of compensation. When our investigator reviewed what had happened, however, he thought that a figure of £500 was more appropriate, in part because of the additional issue with the cheque for the balance of funds in the account.

The bank accepted the investigator's recommendation that it pay Mrs H £500, but Mrs H did not. She asked that an ombudsman review the complaint and issue 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.

Banks can generally carry out reviews of customers' accounts and in some cases may be under a legal or regulatory obligation to do so. I am satisfied that the bank was within its rights to carry out a review here.

It will often be appropriate where a review is undertaken for an account to be restricted or suspended while that happens. Again, I believe that was an appropriate step for the bank to take in this case.

I do however note that Co-op Bank acknowledged that its review should have been completed rather sooner than was the case, and that it offered compensation of £350 in recognition of that. After it had made that offer, it compounded the problem in its handling of the payment of the balance of the funds held on Mrs H's account. It seems that it wrongly stopped the cheque it had sent her.

The investigator thought that compensation of £500 was a reasonable way to settle the complaint, and I agree with him. He considered too whether he should recommend a payment of interest on the account funds but concluded that, in the particular circumstances of the case, that was not appropriate. I have considered that issue too, but am satisfied that an award of £500 is a fair and reasonable resolution of the complaint.

Putting things right

Co-op Bank accepted the investigator's recommendation, but I will nevertheless make an award in that sum, so that Mrs H can enforce it, should that be necessary.

My final decision

For these reasons, my final decision is that, to resolve Mrs H's complaint in full, The Co-operative Bank Plc should pay her £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 14 January 2025.

Mike Ingram
Ombudsman