

## **The complaint**

Business C, a limited company, complains Clydesdale Bank Plc trading as Virgin Money unfairly blocked and closed its account.

C is represented by its directors – Mr A and Ms A.

## **What happened**

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

C opened a Virgin Money account in February 2024. In early March 2024 a large transfer was made into this account and Ms A attended branch soon after to withdraw £36,000 from the C's account. During this visit Ms A was asked questions by members of staff about C's business and the withdrawal reasons. Ms A's responses prompted a further review, and C's account was frozen whilst further enquiries were made.

As part of its review Virgin Money asked Mr A and Ms A for details of C's business and the source of funds in the account. Mr A and Ms A explained their previous account had been closed, and this is why they opened the new account with Virgin Money and deposited a large sum. They said C's business was a supply agency for medical staff and the funds within C's account were payments from individuals who had paid for their consultancy services. Ms A says she attended branch multiple times to try and resolve the issue with C's account.

Based on its review of the account Virgin Money issued C a notice to close letter, providing it with 60 days to make alternative arrangements. Ms A attended branch again in April 2024 and was advised about the status of the account and the next steps with regards to the funds in the account. The account was closed on 23 April 2024, with the account balance transferred to an account in Ms A's name.

Mr A and Ms A raised a formal complaint about the handling of C's account, explaining the block and subsequent closure were unfair and had a significant impact on the business. In particular Mr A and Ms A say they were harassed for funds C owed individuals and they were unable to access them due to Virgin Money's actions. In its final response letter Virgin Money explained it had acted fairly, in line with its regulatory duties and the terms and conditions of the account.

Mr A and Ms A remained unhappy with Virgin Money's response and referred the complaint to our service. An Investigator reviewed their concerns and in summary, made the following findings:

- Virgin Money's regulatory obligations mean it is entitled to carry out reviews of customer accounts.
- The information Virgin Money requested was reasonable and it took adequate steps to ascertain details about C and the source of funds in the account.
- Virgin Money doesn't need to give C the reasons for the account closure, and it can

make its own commercial decision on who it wants to have as a customer.

Mr A and Ms A disagreed with the Investigator's findings, explaining their concerns hadn't been properly addressed. As no agreement could be reached, the case 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 am sorry to see Mr A and Ms A have had cause for complaint. I can see this is a difficult time for Ms A given her health issues. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

I'll start by setting out some context for the review of C's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. In C's case I'm satisfied Virgin Money was complying with these obligations when they reviewed C's account.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Virgin Money has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr A and Ms A, but I'd like to reassure them that I have considered everything they and Virgin Money have said before reaching my decision.

Based on the information disclosed by Virgin Money I'm satisfied it acted fairly by blocking C's account and had no obligation to tell Mr A and Ms A the basis of its concern or forewarn them of its intention to carry out such a review.

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

Whilst the account was blocked Virgin Money asked Mr A and Ms A for details of C's business activity, their identification, and details of the source of funds in C's account. Mr A and Ms A provided various pieces of information to assist with the review – this included bank statements from their previous account. This due diligence wasn't enough to allay Virgin Money's concerns. Looking at the information Mr A and Ms A provided I think this was reasonable. The information didn't clearly establish a legitimate source of the funds within the account and I can't see that any clear evidence was provided to support their comments around C's business activity.

Virgin Money's review of C's account led to its ultimate decision to close the account. Virgin Money is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Virgin Money should have in place. I can however, while considering the circumstances of individual complaints, decide whether I

think customers have been treated fairly. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly. Given its regulatory and legal obligations, I'm satisfied Virgin Money's decision was made fairly.

The terms and conditions of C's account set out that the bank can close the account by providing 60 days' notice. In certain circumstances, it can also close the account immediately. In this case Virgin Money blocked C's account, so I consider this to be akin to an immediate closure. For Virgin Money to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, I'm satisfied that Virgin Money did.

I've thought carefully about Mr A and Ms A's comments about the impact of Virgin Money actions on C. Given the severity and impact an account block can have, there is an expectation that any review should be carried out in a timely manner. I can see C's account was blocked for several weeks. Based on the timeline of events during the review I can't see that there has been any undue delay by Virgin Money.

I must also highlight that in this complaint I must consider the impact on C – not Mr A and Ms A in a personal capacity. The block and closure of C's account would've inevitably had an impact on its business, but as explained I think Virgin Money blocked and closed the account reasonably in and in keeping with its legal duties. For me to award compensation I must find that Virgin Money has acted unfairly and based on the evidence I've seen I can't make such a finding.

I'm sorry this isn't the outcome Mr A and Ms A hoped for and I know they will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Virgin Money to take any further action or compensate C.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 10 January 2025.

Chandni Green  
**Ombudsman**