

Closure of accounts

8 March 2016

A fundamental part of the relationship between a bank and its customer is that either may end it at any time.

A customer may decide to close their account with a bank because a competitor offers a better deal, or because they feel their relationship with the bank has broken down. On the other hand, a bank may decide to close a customer's account because of how they've been operating it or, likewise, if the bank feels the relationship has broken down.

Does a bank need my permission to close my account?

No, like most other companies, banks are under no obligation to continue doing business with someone if they do not want to. However, a bank should not close an account without good reason.

Does a bank have to give me notice before it closes my account?

Generally, a bank should not close your account without giving you reasonable notice. What is meant by reasonable notice will vary depending on the particular circumstances, but typically, it means giving a customer enough time to make alternative banking arrangements.

The Code of Banking Practice states that a bank will not normally close a customer's account until it has provided at least 14 days' notice.

In some limited circumstances, however, a bank can close your account without giving you any notice. These might include:

- if a bank is complying with a court order
- if you have acted illegally
- if you have breached the bank's terms and conditions
- if you have acted abusively towards bank staff.

What happens to the remaining money in my account?

A bank must return all money remaining in your account at the time it closes the account, less any interest or fees that apply. A bank normally does this by sending a cheque to your last known address.

How to contact us

Does a bank need to tell me why it's closing my account?

No, a bank does not have an obligation to explain why it is closing your account. However, we find that in most cases, explanations are given.

It is good practice for a bank to give the reason for closing a customer's account. This is because it gives a customer the opportunity to respond if the bank has misunderstood the particular facts of a situation or made a mistake.

How does the Banking Ombudsman Scheme approach complaints about account closures?

Complaints about a bank closing an account usually involve a customer challenging the bank's reasons for doing so. Two of the most common reasons why a bank closes an account are:

- the customer has used the account inappropriately – for example, the account is continually going into unarranged overdraft
- the customer has abused a staff member in some way, either verbally or physically.

In the first situation, it can be costly for a bank to monitor an account that is in overdraft. Therefore, a bank may decide that it does not wish to continue to offer this facility to a customer.

In the second situation, a bank has a duty as a good employer to protect its staff from abuse and violence. In these circumstances, we would expect a senior member of the bank who was not subjected to the abuse to make the decision to close the account.

Most people who complain to us about their account being closed want us to either stop the bank from closing their account or to get the bank to reopen their account. However, although we can award compensation for direct loss or inconvenience if we find some wrongdoing in the way the bank closed the account, we cannot require a bank to stop the closure of an account or reopen one.

If a complaint is solely about a bank's decision to close an account, and there are no concerns about how it was done (such as if the bank failed to give adequate notice), then it is unlikely that we will be able to investigate.

Occasionally we receive complaints about account closures which are related to anti-money laundering legislation which came into effect in June 2013. For more information on this, check our [Quick Guide on Anti-money laundering legislation – changes to banking](#).

Case note 1

Mr H opened a deposit account for his son at his bank. The deposit account paid bonus interest if no withdrawals were made and a certain amount was deposited each month. After two months Mr H noticed no bonus interest was paid and wanted the bank to pay the additional amount. The bank explained the bonus interest didn't start accruing until after the second month, but Mr H did not accept this and demanded that the bank pay the interest. After becoming abusive to staff the bank closed his personal accounts without warning, although it allowed his son's account to stay open.

How to contact us

Mr H then complained to us. We discussed the complaint with the bank, and it agreed to credit the son's account with the bonus interest. We didn't have the ability to require the bank to reopen Mr H's accounts, as banks are able to choose which customers they want to retain. Mr H accepted this.

Case note 2

Ms T made a series of withdrawals that put her account into unarranged overdraft. The bank contacted Ms T several times asking her to make repayments. However, the account remained overdrawn, with penalty interest and unarranged overdraft charges accruing. The bank then wrote to Ms T demanding the debt's full repayment. The bank warned that it would close the account and refer the debt to a collection agency if it was not repaid in full. Ms T did not repay the debt. The bank closed her account and referred the debt to a collection agency when she did not repay it.

Ms T complained to us that the bank had closed her account incorrectly. We explained that under the Code of Banking Practice a bank can withdraw a service and close an account at any time. However, a bank will not normally do so until it has given a customer 14 days notice. Because the bank had written to Ms T setting out that if she did not repay the balance owing on the account, the debt would be listed with a collection agency and her accounts would be closed, we were satisfied it had complied with the Code. We did not consider that the bank had breached any duty or obligation it owed Ms T when it closed her account. We declined to investigate her complaint any further because under our terms of reference we do not have the jurisdiction to consider complaints involving a practice or policy that does not breach any obligation owed by a bank to a customer.

Case note 3

Mr C was director of a foreign exchange and international remittance agency, XYZ Ltd. He received a letter from his bank advising it would close XYZ Ltd's accounts in one month because it no longer met the bank's risk profile, changed following the introduction of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009. Mr C complained to the bank about this. He said the accounts had always operated lawfully and closing them was unfair. He wanted the bank to keep the accounts open. It only allowed XYZ a further two months to make alternate banking arrangements. Mr C complained to our office.

We explained that under the Code of Banking Practice banks can decide to close a customer's account even if it is operated satisfactorily. A bank will usually give a customer at least 14 days' notice of the closure. The bank's terms and conditions supported the bank's ability to withdraw the products or services it offers in accordance with the code. We told Mr C that our scheme rules don't give us power to recommend a bank provides banking services to someone. We advised Mr C it was unlikely we would be able to assist him because the bank is allowed to close XYZ Ltd's accounts and we cannot make it change this decision. Mr C accepted our explanation and withdrew his complaint.

How to contact us