

FDRS Case study

Open and closed

Background

A long-standing customer with no history of repayment or account management issues closed their account while applying for a loan. Having previously deactivated and reactivated their account without difficulty, they later sought to reopen it. The provider advised that the closure was permanent and, on multiple occasions, informed the customer that its Terms and Conditions prevented former account holders from opening another account once their account had been closed. The customer complained to FDRS, arguing they had not fully understood the consequences of closing the account.

Next steps

FDRS considered whether:

- The customer had been shown sufficient warnings and confirmation notifications before closing the account
- The provider was required to reactivate the original account
- The provider was entitled to refuse the customer's application to open a new account.

FDRS found it was more likely than not that the customer had been shown sufficient warnings and confirmation notices before proceeding with the account closure. However, it did not accept the provider's interpretation of its Terms and Conditions, finding that once an account is closed, the contractual relationship ends. As a result, a former customer with no active account should be able to apply for a new account in the same way as any other applicant.

Outcome

FDRS upheld the complaint in part. While the provider was not required to reactivate the original account, the customer was entitled to apply for a new account and have that application considered on its merits.

Lessons Learned

This case demonstrates the importance of ensuring that product terms, operational policies, and customer communications are aligned. While the provider successfully demonstrated that the customer had been informed of the permanent closure process, it could not justify preventing a former customer from applying for a new account. The decision reinforces the need for clear contracts and customer-focused decision-making.