

Account closure complaints

What is an account closure complaint?

AFCA receives complaints lodged by consumers when their financial firm has ended its relationship with them, without their consent. These complaints can be about any kind of product or service (for example, a transaction account, a credit facility, a merchant facility, an insurance policy or an investment product).

This approach only applies to complaints about the closure of banking facilities. It does not apply to complaints about:

- insurance policies or investment products
- a refusal by a financial firm to allow a consumer to open a new account.

How does AFCA approach these complaints?

AFCA acknowledges that a financial firm can generally end its relationship with a customer, just as the customer can choose to move to another financial firm. However, a financial firm must consider a particular customer's vulnerabilities when closing their account.



We will need to consider if the terms and conditions allow a financial firm to close an account (or cease providing a service) and if so, whether the financial firm has fairly exercised its rights. As well as the terms and conditions, we will consider factors including:

- obligations under the relevant codes of practice and/or laws
- whether the financial firm provided sufficient notice
- good industry practice
- the complainant's conduct
- the impact on the complainant of the financial firm's actions.

In addition to the financial firm's right to end the relationship, we also need to consider what is fair in all the circumstances. For example, it may be appropriate to give a customer with cognitive impairment or living in a rural area additional notice of the account closure so that they can re-arrange their financial affairs.

AFCA will consider the following questions:

- What does the financial firm rely upon to close the account?
- Has the financial firm given sufficient notice to the complainant?
- Has the financial firm acted fairly and reasonably?

We will also consider if the financial firm is required to provide its reasons for the closure to the complainant.

Information to provide to AFCA if matter unresolved

Like all complaints lodged at AFCA, an account closure complaint will be referred back to the financial firm for an opportunity to resolve without further AFCA involvement.

In the event the matter is not resolved, a quality external dispute resolution (EDR) response to AFCA should include the following:

What was relied upon to close the account

Provide:

- a full copy of the terms and conditions you seek to rely upon to close the account identifying the specific term and condition(s) you rely upon in the individual circumstances
- documentation showing how and on what date the terms and conditions booklet was provided to the complainant
- information and documentation confirming that all pre-conditions to closing the account were satisfied
- information about the steps you took to comply with relevant obligations under any applicable industry code of practice eg Chapter 36 of the Code of Banking Practice

Demonstrating sufficient notice was provided to the complainant

Provide:

- copy of account closure notice(s) sent to the complainant
- the reasons why you consider the notice period was sufficient in the circumstances
- a suggested remedy or outcome if you consider the notice period was insufficient in the circumstances

Acting fairly and reasonably

Provide:

- an explanation as to why you consider the account closure is fair and reasonable in the individual circumstances
- information to show how you have weighed up the impact on the complainant of your decision to close the account
- information to show how you acted in accordance with obligations to vulnerable consumers under any applicable industry code of practice eg Part 4 (Inclusive and Accessible) of the Code of Banking Practice [if vulnerability is a factor]

It is important to note this is a guide only and:

- All issues raised by the complainant in their complaint should be addressed. If there are other issues in addition to the account closure (eg service concerns), please refer to the additional EDR response templates available or consider addressing them in a separate section, as it is important that all issues are addressed.
- This is your EDR response. As such it is to be sent to both AFCA and the complainant. It is to the benefit of all parties for the complainant to understand the reason for your position.



Providing the account closure reason(s)

It is helpful to explain why the account was closed

It is usually helpful if a financial firm explains why an account has been closed. For example:

- the customer engaged in abusive or threatening conduct
- the customer's transaction history or the way they have been operating the account has been unsatisfactory
- the customer poses a reputational risk to the financial firm
- the financial firm feels the relationship with the customer has broken down.

Sometimes a financial firm may exercise its discretion to close the account based on the complainant's prior history (such as criminal convictions) or business type (such as a motorcycle clubhouse). In such cases, the financial firm should demonstrate that it exercised its decision based on established principles or corporate values rather than in an arbitrary manner.

In some cases, a special circumstances application may be made

In other cases, a financial firm may consider it is inappropriate for the complainant to know why an account has been closed.

For example:

- an account may have been opened with a false identity, or belongs to a legitimate customer who has allowed fraudsters to use their account
- there may have been fraudulent, suspicious or high-risk conduct on the account, such as cryptocurrency exchanges and binary trading.

A financial firm may have valid concerns about disclosing these reasons as this could alert the customer (or other participants) to sensitive information such as ongoing investigations.

However, where it can do so, a financial firm should tell AFCA why it decided to close the account so that AFCA can assess whether the financial firm acted reasonably.

If a financial firm does not wish AFCA to share these reasons with the customer, it should make an application for special circumstances under Rules A.10.4 and A.10.5. These rules allow one party to a complaint to request that certain information not be shared with the other party, if certain conditions are satisfied.

AFCA may agree there are valid concerns for not disclosing the financial firm's reasons to the complainant. If so, AFCA may tell the complainant that we are satisfied the financial firm acted reasonably without disclosing why the account was closed.

Further information about AFCA's approach can be found [here](#) by scrolling down to the document titled 'Assessing special circumstances' under the Publications heading.

Legal restrictions may prevent disclosure of the account closure reason

While it may be helpful for a financial firm to explain why an account has been closed, it may not be possible to do so in all cases. This could be because of:

- regulatory or financial intelligence requirements, such as anti-money laundering and counter terrorism financing (AML/CTF) requirements
- court orders
- regulatory directives including confidentiality restrictions.

In such circumstances, AFCA accepts the financial firm has valid concerns about disclosing its reason for account closure. Where a financial firm is not able to disclose a reason, AFCA will generally accept at face value that the financial firm acted in good faith when deciding to close the account in the absence of evidence to the contrary.

In such cases, AFCA expects a financial firm to make it clear to us it is unable to provide reasons why the account was closed.

Suggested wording for such a case:

[Financial Firm] reasonably believes that keeping the customer's account open would cause it to breach a relevant law or court order, having regard to [Financial Firm] legitimate business interests and/or the regulatory risk associated with not closing the account.

AFCA will accept this wording in good faith and in response to genuine concerns raised by financial firms about binding legal restrictions. AFCA expects this, or like, wording to be used for its intended purpose only. If AFCA suspects this not the case, it reserves the right to change its approach, either for individual financial firms or more generally.