

Rt Hon Jeremy Hunt MP
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

3 August 2023

Dear Chancellor,

FREEDOM OF EXPRESSION AND THE PROVISION OF BANKING SERVICES

Thank you for your letter regarding the provision of banking services. We recognise the increased public concern about payment accounts being closed without fair justification.

As you set out, banks are subject to the Payment Accounts Regulations which require that a consumer's access to a payment account is not denied on the basis of a range of characteristics, including legally-held political views. We support the Government's plan to further increase the required notice period for closure of accounts from 60 days to 90 days and will work with the banks and building societies to ensure effective implementation and, once the amended legislation comes into force, take action where this is not happening.

We do not adjudicate individual cases and there are protections in place for individual consumers who can complain to their bank and, if they remain dissatisfied, can ask the Financial Ombudsman Service (FOS) to review their case. The FOS has a dedicated team who deal with account closure cases and who can assess sensitive issues that often lie behind an account closure without risking making a disclosure that could prejudice a financial crime investigation, so information should be shared with them quickly and fully when they request it. The FOS also has a range of remedies that it can require of banks, including keeping an account open or directing an account to be reopened.

As you know, banks and building societies are also subject to rules to counter money laundering and terrorist financing, a key objective in the Economic Crime Plan 2, published earlier this year by the Government. This can mean that a firm may deem it necessary to withdraw services or freeze an account on financial crime grounds, including at short notice. When this happens, we expect a firm to investigate in a reasonable time and that customers should not be unnecessarily denied access to their accounts. In recent years, we have seen a significant increase in the number of bank accounts being closed. This may reflect increased monitoring by firms to comply with their financial crime obligations.

It is less clear the extent to which banks may be terminating accounts for other reasons, which may be unjustified and which, in some instances, may contravene the law. As the regulator, it is important that we understand the scale of the issue and the drivers behind a reported increase in account terminations.

We had therefore been preparing a data exercise to focus on banks and building societies providing payment accounts to consumers and accounts to businesses. In the coming month, we will ask the largest banks and building societies to provide us with the number of account terminations and the reasons for these; number of complaints about terminations, and their outcomes. We will also request data on the number of accounts opened; the volume of new applications refused and any relevant complaints data and information about policies and procedures.

Thank you for setting out your request of areas to cover. This is in line with our plans. We will provide an initial assessment by mid-September.

As you note in your letter, this exercise should not be conflated with our ongoing work to review the treatment of politically exposed persons (PEPs) and their family members, as commissioned by the Financial Services and Markets Act 2023. To mitigate the risk of those in prominent public positions being subject to corruption, the Government implemented international standards to require enhanced scrutiny of PEPs and their family members, which is supported by FCA guidance. Over the past 18 months, we have reminded firms that they must take a proportionate approach to assessing such individuals and some have rightly changed their approach as a result. However, concerns continue, and we want to make sure the system is working properly for those affected. We will reach out to those concerned in the coming weeks and will publish the terms of reference for that review next month.

With respect to business bank accounts, there is no universal service obligation required of banks or payment providers and business bank accounts are not covered by the relevant provisions of the Payment Accounts Regulations. While it is a policy matter for the Government as to whether further protections should be extended to businesses with respect to the provision of banking services, we will contribute to this work through the provision of appropriate data.

You will be aware that the wider issue of risk in the financial system and access to financial services is also one that has been considered by international counterparts, most notably in some detail recently by the [US Treasury](#) with respect to the US banking and financial system.

At the heart of this debate is an issue around the utility of a personal bank account and the need for individuals to be able to make payments, receive money such as wages, benefits or pension payments and other payments. We rely on a combination of commercial decisions, basic bank account services (access to which is underpinned by legislation), and other requirements to ensure these are available. As we prioritise these pieces of work, it is important that we also keep in mind the 1.1 million people in the UK with no bank account at all and the critical importance of our collective work on financial inclusion to ensure comprehensive access to the UK banking system.

Consumers of financial services should be treated fairly and be able to trust their bank or building society, including being confident that criminal activity through the financial system is being tackled. Our work will continue to support these outcomes.

Yours sincerely,

Nikhil Rathi
Chief Executive