

# Account Access and Closure: What the FCA's Initial Findings Mean for Firms

The FCA has published the eagerly awaited initial findings from its data exercise examining financial institutions' decisions to decline, suspend, and terminate payment accounts; but what do these findings mean for firms?



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Conducted amidst ongoing “concerns about the scale of account closures and access to financial services” in the UK, the speed at which data from thirty-four banks, building societies, and payment companies was collected illustrated the criticality of this concern to the FCA.

The FCA concluded that a broad range of reasons drove the assessed firms to de-risk and in some cases, de-bank, including account inactivity and dormancy, financial crime suspicions, and reputational risk.

The report introduces and reinforces important factors for firms to consider if they are to withstand scrutiny from the regulator, the industry, and their consumers.

**Navigating Regulation:** Firms should validate that their internal policies and procedures promote a balanced consideration of applicable legislative and regulatory obligations. Maintaining a comprehensive perspective when evaluating and implementing regulatory requirements will continue to be crucial. The FCA expects firms to consistently take into account their anti-financial obligations alongside their commitments to consumer protection. Customers may be justifiably refused or restricted access to a payment account, but it is the strength of the policies consulted and followed that could separate consumer protection from exclusion.

**Approaching Risk:** The FCA's findings reaffirm the onus on firms to implement strengthened customer onboarding procedures. Designed to promote risk mitigation over aversion, robust customer controls may reduce the

frequency of account restrictions and closures, and aid firms in aligning risk management frameworks to their appetite statements.

**Documenting Decisions:** The decisions for financial institutions to de-risk or de-bank remains an ongoing point of interest for multiple parties, including the Government, the FCA and the UK public. Firms should be prepared to furnish additional data should regulators decided to request it. As such, they will be expected to establish robust data and Management Information (MI) systems to effectively track the frequency and consequences of decisions related to account declination, suspension, and termination.

**Providing Transparency:** Underscored throughout the report is the regulatory expectation on firms to, where reasonable, provide transparency to consumers regarding their account access. Firms' approaches to customer exits will often differ depending on the nature of the exit, whether immediate and thus subject to DAML filings with the NCA amidst financial crime suspicions, or occurring within a 90-day window during which consumers fall outside of a firm's risk appetite.

**Reputational Risk:** The report emphasises that the FCA will continue to examine account access and closure decisions made on the basis of reputational risk, to ensure that firms do not interpret the criterion “too broadly”, opting for risk aversion as opposed to mitigation. For firms, a point of consideration will be whether an objective, policy-driven rationale underlies decision-making.

**Operational Outlook:** In addition to regulatory scrutiny, public interest in de-risking is likely to continue. The report reminds firms that customers can complain if they feel that decisions on restrictions or refusals were improperly made, with some individuals and firms able to escalate their concerns to the Ombudsman. As such, firms may wish to review the customer assistance, consumer protection, and staff training programmes they have in place, as to advise clients appropriately.

## Continuing Compliance

How financial institutions make, document, and justify decisions on account access will continue to be an area of focus for the FCA. Moreover, the legislative and regulatory landscape surrounding such decisions may be subject to future change.

For firms, remaining attuned to developments that may have direct implications on their policies and procedures, decision-making processes, and operational systems is integral if they are to stand up to scrutiny. Striking the right balance between risk mitigation and aversion remains key.

Plenitude has supported a broad range of financial institutions to help them comply with their regulatory obligations and reduce their financial crime risk exposure, by providing deep subject matter expertise, advisory and transformation services. Appointed to the FCA's S166 Skilled Persons panel for Financial Crime, Plenitude is uniquely positioned to support firms in managing the impacts of these changes.

To discuss how we can support you, please contact [enquires@plenitudeconsulting.com](mailto:enquires@plenitudeconsulting.com)

