

The complaint

Mr V, a sole trader, complains about what happened when he switched his business banking from The Royal Bank of Scotland Plc.

What happened

Mr V changed his business account using the account switching service. He said the account didn't transfer properly. It had an overdraft of £15,000, and Mr V said he was ready to pay that, but the payment kept bouncing. He thought RBS had closed the account prematurely, which had caused the problem.

Mr V said he used that account to pay mortgages, and the poor transfer had left some direct debits not set up properly. He said he was still being charged interest and fees for an overdraft he'd repeatedly tried to settle. And he could no longer afford to pay all of the overdraft, so he would sell some assets and set up a repayment plan in the meantime.

RBS said it had switched this account out to another bank in June 2019, but Mr V's old RBS account couldn't be fully closed because he had an outstanding overdraft. It said he couldn't pay the debt just by BACS or Faster Payment. Those payments would revert to the new account. In late August, RBS wrote to Mr V and said this debt would have to be paid by CHAPS. In October, it said it would only take payment in cash, or over the phone by card.

Our investigator didn't think this complaint should be upheld. He said that the payments weren't returned by mistake. That was part of the switching process. Mr V was given the option of repaying the debt on 10 September or 14 October. Because he'd been given those options, our investigator didn't agree that RBS had acted incorrectly. And he didn't think RBS was to blame if the money had been used elsewhere, and Mr V then needed to sell other assets. Mr V knew the debt was outstanding and repayable on demand.

Mr V didn't agree. He said he'd tried to clear the account by using a CHAPS payment, and that wasn't allowed. He'd been told the only way to settle the debt was by cash in one particular branch. Mr V also said that RBS had written to him to offer payment by instalments directly to it, but then wouldn't do that any more. He didn't want to make payments through a debt management agency, as he said he was remortgaging, and didn't want a fault on his credit record.

Our investigator said that he wouldn't change his mind, as the bank had given Mr V other options to pay, but he no longer had the money. Mr V said he would like this case to be considered by an ombudsman. He said he was also looking for compensation for all the stress this had caused him. The case then came to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I did propose to uphold it. This is what I said then:

I don't think that it's RBS' fault that Mr V is unable to simply clear this debt now. But I'm not clear that Mr V has received good customer service from RBS at all points during and after the switching process. I'll explain why I think that.

Mr V apparently complained in late June. RBS appears to have passed his complaint about repaying his overdraft directly over to Santander. This is what I would usually expect, as Santander is responsible overall for the transfer, but in this instance I think it may perhaps have assisted to tell Mr V how a payment could be made directly towards his debt in the meantime. Then RBS contacted him, and told him he could make a payment by CHAPS transfer. Mr V tells us he's tried that twice, and the money was returned. RBS' latest position is that Mr V can pay by card.

During this time, Mr V's financial position has changed, and he had to use the money earmarked to pay RBS, towards other debts. He's now said he's selling his house and car to clear his debts. But I note that Mr V has been aware for some time that this money was owed. If his financial position has changed, and that payment is now more difficult for him, then I'm sorry to hear that. But I don't think that's RBS's fault.

I do think that RBS has increased the stress to Mr V, by not setting out clearly early on how he could repay RBS. And I think that RBS should pay Mr V some compensation for that. I think that a payment of £100 to reflect the additional stress to Mr V caused by lapses in service would provide a fair and reasonable outcome to this complaint.

I invited the parties to make any final points, if they wanted, before issuing my final decision. RBS replied to accept my decision. Mr V replied to disagree.

What I've decided – and why

I've reconsidered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

Mr V said that £100 wasn't close to covering his time, loss of work, stress and phone costs in trying to repay this debt. He said that he read the information from RBS and Santander, and was informed everything would be taken care of, including the overdraft facility. That turned out not to be the case, and still no one had explained why the bank he was switching to couldn't settle his RBS overdraft on the transfer date.

Mr V said he was failed at every turn, as RBS wouldn't let him pay unless he took the funds into a specific branch, in cash. But RBS was now blaming him, and charging him interest. He also said that he hadn't received a promised transfer bonus from the bank he switched to. He felt he was due more compensation, as he was still dealing with an overdraft problem he hadn't caused.

This complaint is only looking at what RBS did in this case. The bank that Mr V switched to is primarily responsible, under the rules of the account switching service, for making sure the switch goes smoothly. I can't comment here on what the bank that Mr V switched to did, and I couldn't ask RBS to pay additional compensation if that bank did make mistakes.

Mr V told us that he was still trying to sort this issue out, so he thought he should get much more compensation than I suggested. I proposed to tell RBS to pay Mr V £100, because I thought that at an early stage in his complaint, it should've done more to help him. But I don't think that's the primary reason why this issue isn't yet resolved. RBS has now told Mr V that he can pay with a card. But, as I set out in my provisional decision, Mr V's financial position changed shortly after he switched banks. I think that's more likely to be why this issue isn't yet resolved for him.

For those reasons, I haven't changed my mind on the appropriate level of compensation to ask RBS to pay in this case. I'll now make the award I originally proposed.

My final decision

My final decision is that The Royal Bank of Scotland Plc must pay Mr V £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr V to accept or reject my decision before 31 July 2020.

Esther Absalom-Gough
Ombudsman