

The complaint

A company, which I'll refer to as "L", complains that The Royal Bank of Scotland Plc ("RBS") unfairly closed its bank account and declined its Coronavirus Business Interruption Loan application after initially approving it.

L's director, Mr M, brings the complaint on the company's behalf.

What happened

L applied to RBS for a Coronavirus Business Interruption Loan (CBIL) in May 2020, having banked with it since 2016.

RBS initially approved L's application and a loan agreement for £145,000 was completed on 8 June. But on 10 June, RBS blocked L's account. Mr M was told later that day that the bank was closing the account and would not be proceeding with the CBIL. The bank didn't disclose its reasons for this to L, but suggested that Mr M check his credit file.

On reviewing his credit file, Mr M found that another bank had logged an entry against his name with CIFAS (an anti-fraud agency and database provider). He queried this with the bank in question, which ultimately agreed that it had been registered in error and agreed to remove it.

At the same time, Mr M complained to RBS about its actions. And he relayed confirmation that the CIFAS marker had been applied in error and removed. But RBS then said its decision hadn't been based on the CIFAS marker; instead it was due to previous account closures. It apologised that this information wasn't picked up when L opened its account in 2016. But it said that it wouldn't be reviewing or reversing its decision, so L's account was to be closed and the CBIL application couldn't proceed.

Mr M referred the complaint to us. He didn't think RBS had acted fairly and said its actions had caused L to lose business and incur additional costs due to missed payments, for which he sought compensation of £415,000.

One of our investigators reviewed L's complaint and thought it should be upheld in part. In summary, he said:

- RBS was entitled to end a banking relationship and the terms and conditions of the account allowed for its immediate closure. The bank wasn't obliged to offer lending under the CBIL Scheme and while it had approved the application, it was allowed to carry out further checks before providing the loan. Looking at the reasons for its decisions, he thought both were reasonable.
- The bank had decided to close L's account on 10 June 2020 but it had taken a month for it to release the account funds. He didn't think there was good reason for this,

noting that the bank had delayed providing Mr M with the necessary form and that Mr M had been in touch on a number of occasions to highlight L's need for the funds.

- RBS has continued to liaise with Mr M about the CIFAS marker unnecessarily, giving the impression that its removal may lead the bank to review its decision. As the CIFAS marker wasn't the reason for the bank's decision, this was unnecessary.

Our investigator didn't think that the bank needed to compensate L for any losses incurred as a result of the bank's decisions to close the account or cancel the CBIL application, as he'd found these actions to be reasonable. And Mr M hadn't shown that L had suffered any losses due to the delay in obtaining its funds after the account was closed. But he did think that the delay – and the correspondence about the CIFAS marker – had caused some avoidable inconvenience, for which he recommended RBS pay compensation of £300.

RBS accepted our investigator's view but Mr M didn't. He still didn't think RBS had acted fairly in closing L's account, which had left the company struggling to survive. It had been forced to find a new account during the pandemic to continue trading, borrow extra funds elsewhere and had lost contracts – all tracing back to an internal error by the bank when opening L's account originally.

With no resolution, the complaint was passed to me to decide.

My provisional decision

I issued a provisional decision on L's complaint last month. I said:

RBS has shown that it shouldn't have opened an account for L in the first place. Such a decision was, generally speaking, a matter for the bank to decide. And having looked at the information on which the decision was based, I think it was reasonable. So RBS made an error in opening the account for L in 2016.

When RBS realised its error, it needed to take action to rectify the position. Initially it blocked L's account for a short period while it reviewed the matter, before deciding the same day to close the account immediately. The terms and conditions of L's account allowed it to take these actions and I think it was reasonable for the bank to do so in the circumstances here.

By this time, RBS had also entered into an agreement to provide a loan under the CBIL Scheme to L. But as the bank didn't want to continue its relationship with L, it terminated the loan agreement. This was allowed for under the terms and conditions of the agreement. On review, the basis of RBS's decision to end its relationship with L ought also to have led the bank to decline the CBIL application in the first place. So I think it was reasonable for RBS to terminate the CBIL, given the circumstances.

However, while I think RBS was entitled to take these actions, they were only necessary as a result of its error in opening the account for L in 2016. L had been using the account without cause to question things over the years that followed. And by virtue of its relationship with RBS, the bank had been the first port of call for a CBIL application during the pandemic. So I've considered whether L lost out as a result of what happened.

In this respect, I've taken into account everything Mr M has said and provided to us. Despite a number of requests, provided very little evidence to demonstrate the losses he's claimed. He says that L suffered significant financial losses because it couldn't honour contracts that it had secured. There is, though, little to show that these agreements were in place – all we've been provided with to date is an unsigned copy of the first page of two draft agreements and a seemingly-unrelated invoice. The agreements are actually dated *after* RBS made L aware of its decision – so I can't see how the bank's actions had the impact that Mr M suggests.

In any case, I understand that much of Mr M's claim is based on the fact that RBS wouldn't provide L with the CBIL as initially agreed. But that's the position L would always have been in. L wasn't entitled to the CBIL with RBS, for the reasons I've explained. L would always have needed to look elsewhere for the CBIL, which it was free to do after RBS confirmed it wouldn't be proceeding with the application. So I can't require RBS to compensate L for any losses that arose because the bank declined to provide it with the CBIL.

While I've not seen that L suffered a financial loss due to errors on RBS's part, I do think it was put to some significant inconvenience.

L had to find a new account provider at extremely short notice. While it would always have had to bank elsewhere, the immediate closure of its longstanding RBS account put L to more inconvenience than would've been caused if the bank had declined its application correctly in the first place. It is also worth bearing in mind the circumstances of the time, with small businesses like L having to deal with the impact of the coronavirus pandemic.

More significantly, RBS didn't release L's funds until a month after closing the company's account. This seems to be the result of a further error on its part, as its records suggest that it didn't send the necessary form to L when writing to confirm the account closure. When the form was later provided, Mr M returned it swiftly and the funds were released without undue delay. But, while I've not seen that L suffered a financial loss as a result, being without the significant account balance for this length of time will have caused L further inconvenience in chasing things up and making alternative arrangements.

The bank's decision to withdraw the CBIL, while also legitimate, also put L to some inconvenience. It need not have spent the time and trouble applying in the first place – an application process that took around a month, during which time Mr M was in touch with the bank on a number of occasions.

RBS made a further error when engaging Mr M in correspondence about the CIFAS marker that he'd found recorded against him. While ultimately it will have been to his and the company's benefit to have this record corrected, there was no need for him to speak to the bank about it as its decision to withdraw its services was always going to remain the same regardless of the marker. But RBS led him to believe that its position might change if the marker was removed – so he spent further time and trouble following this up.

Having taken all of this into consideration, I think it would be fair for RBS to pay L compensation of £500 for the inconvenience caused by its errors.

As my initial conclusions differed from those of our investigator, I invited both parties to respond to my provisional decision with any further information they wanted me to take into account before I made a final decision. RBS didn't respond and while Mr M told us that he disagreed, he didn't provide any further comments or evidence for me to consider.

What I've decided – and why

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

Having done so, and with neither party having provided any further information for me to take into account, I've not reached a different conclusion from that set out in my provisional decision. So this decision confirms my provisional findings, as set out above.

My final decision

I uphold this complaint and instruct The Royal Bank of Scotland Plc to pay L compensation of £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 5 January 2022.

Ben Jennings
Ombudsman