

The complaint

Miss O complains that National Westminster Bank PLC (NatWest) blocked and closed her accounts, without explaining why. And delayed releasing the account funds to her after it closed her accounts.

What happened

In July 2020, NatWest blocked Miss O's accounts while it carried out a review. When NatWest completed its review, it sent Miss O a letter dated 31 July 2020, giving her 14 days' notice of its intention to close her accounts. It sent her a form to complete to arrange for the account balances to be released, and ultimately sent the funds to her on 21 August 2020.

Miss O called NatWest several times to find out what was happening, but she wasn't given any more information. Miss O told NatWest she couldn't feed her children without access to her funds or pay basic bills like electricity. But she was simply told she'd need to wait for NatWest to complete its process, which can take up to 60 days. So, Miss O complained.

NatWest issued its final response to Miss O's complaint on 14 August 2020, saying it had followed its processes correctly and couldn't disclose the reasons for its actions. Miss O remained unhappy, so she brought her complaint to our service.

Our investigator upheld Miss O's complaint in part. She said NatWest was entitled to block and close Miss O's accounts, that it didn't have to explain the reasons for its decision, and that she was satisfied it had released Miss O's funds in a reasonable timeframe.

But she didn't think NatWest had given Miss O sufficient notice of its intention to close her accounts, so she awarded Miss O £200 for the distress and inconvenience she experienced as a result.

Miss O didn't accept our investigator's outcome. She said she had experienced hardship as a result of NatWest withholding her money, and that she'd had to borrow £1,000 to get by. She felt £200 was inadequate compensation, so she asked for an ombudsman to review the matter afresh.

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.

Account block

The banking industry is heavily regulated and all banks in the UK have numerous legal and regulatory obligations, with which they must comply. As part of those obligations, sometimes banks have to review their customers' accounts and request certain information or documents. While the review is ongoing, they're entitled to block the accounts.

Having looked at all of the evidence, I'm satisfied NatWest was entitled to take the actions it did. NatWest has explained that it was acting in accordance with the terms and conditions of Miss O's accounts and, having reviewed the same, I'm satisfied that it was and that it was complying with its legal and regulatory obligations in doing so.

I understand Miss O wants to know why NatWest blocked her accounts, but NatWest isn't obliged to disclose the reasons for the block and review, so I can't say it did anything wrong by not telling Miss O when it first blocked the account, or when she subsequently chased NatWest for updates.

It's not the case that I don't recognise the impact the account freeze had on Miss O, it's simply that NatWest was complying with its legal and regulatory obligations and the terms and conditions of Miss O's account, when it blocked and reviewed her accounts. And because I can't say NatWest did anything wrong, I can't reasonably tell it to take actions to put things right for Miss O.

NatWest completed its review promptly and communicated the outcome to Miss O as soon as it had done so. It also followed its process to release the account funds to Miss O, and I'm satisfied it did so within its usual timescales.

If, having looked at NatWest's file, I felt it had delayed matters or taken longer than it should have, I'd ask it to compensate Miss O for any delay. However, while I can't tell Miss O what was happening during the block and while it was releasing funds, I am satisfied that NatWest didn't cause any delays that would warrant an award of compensation.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account.

The terms and conditions of Miss O's accounts – with which both NatWest and Miss O had to comply – say that NatWest could close the accounts at any time by giving 60 days' notice, or immediately and without notice, under certain circumstances.

I've looked at the evidence NatWest has submitted to our service to explain why it closed Miss O's account without 60 days' notice. And, while I can see why it decided to close Miss O's account with less notice, I'm not persuaded by the evidence it has submitted that it was reasonable for it to do so. So, I think NatWest should pay Miss O compensation to put things right.

I need to be clear though that, for the reasons I've set out above, I'm not asking NatWest to compensate Miss O for the distress and inconvenience she experienced as a result of the time it took to release her funds. And that the compensation I'm asking NatWest to pay relates only to the problems caused by having to make alternative banking arrangements at short notice. So, while I accept the surrounding issues will have exacerbated things for Miss O, I agree with our investigator that £200 is fair compensation in recognition of the shortened notice period.

I know this isn't the answer Miss O was hoping for, and I appreciate the limited information I've given her won't answer many of the questions she had. But I hope she can take some comfort from what I've said and in light of an independent third-party reviewing NatWest's actions.

My final decision

My final decision is that National Westminster Bank PLC must pay Miss O £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 23 September 2022.

Alex Brooke-Smith
Ombudsman