

## **The complaint**

A company I'll refer to as W complains that National Westminster Bank PLC (NatWest) closed its account without giving an explanation, and delayed the switch process to its new bank.

To put things right, W wants NatWest to reinstate its accounts and pay compensation.

W is represented by one of its directors, Mr M.

## **What happened**

On 9 December 2021, NatWest wrote to W saying it intended to close W's accounts in 60 days. It didn't give a reason for its decision and simply said it had decided to close the accounts after undertaking a review of W's banking arrangements.

Mr M complained. He said he'd been denied an extension to the 60-day deadline and that NatWest had held up the switch to a new bank. NatWest issued its final response to the complaint on 14 March 2022. It said it couldn't disclose the reasons for its decision, but apologised for failing to respond to the new bank. Although it noted that W had since been able to open an account with a second bank so it said a response to the first bank was no longer necessary.

Mr M remained unhappy, so he brought W's complaint to our service. He said the situation had put terrible stress on him and his business partner. And had put his business at risk of financial harm.

Our investigator didn't uphold W's complaint. He said NatWest had complied with its terms of business when it closed W's accounts and that it wasn't obliged to share the reasons for its decision. But he did think NatWest had let W down by failing to reply to the new bank. To make up for the impact on W of having both of its directors distracted by having to chase NatWest, he awarded W £150.

Mr M reluctantly accepted that NatWest was entitled to close W's account, but felt it's failure to respond to his new bank warranted greater compensation. He said the second bank had opened an account for W, but hadn't agreed an overdraft. Whereas the first bank had agreed an overdraft in principle. He said he'd been able to inject personal funds into the business, but said W would have gone bust if it weren't for those funds.

Our investigator thought about what Mr M had said, but didn't change his opinion. So the case came to me to issue a final decision.

## **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 closure*

Just as a customer may close an account with a bank, a bank is entitled to close an account with a customer. But when it closes the account, it must do so in a way which complies with the terms and conditions of the account.

Having considered the information NatWest has provided, I'm satisfied it acted in accordance with the terms and conditions of W's accounts when it closed the same. The terms and conditions require it to give 60 days' notice, which NatWest did. And the terms don't require NatWest to explain why it decided to close the accounts. I appreciate Mr M will be frustrated at not knowing why NatWest closed W's accounts, but for the reasons I've set out above, I can't fairly make an award in W's favour.

### *Failing to respond*

In NatWest's final response letter, it said it couldn't release the debenture it had with W. But that, given W had opened an account elsewhere, it assumed the first bank no longer needed the information it had asked for in relation to the debenture.

However, having seen the document the first bank had asked NatWest to sign, I can't see that doing so would have released W from its debenture. The document appears to act as permission for the first bank to receive credits payable to W into W's new account and draw against those credits.

NatWest hasn't confirmed whether it would have signed the form, had it been brought to the attention of the correct person at the time. But in the circumstances of this particular case, given the nature of the form and given NatWest hasn't provided a persuasive reason as to why it shouldn't have signed the form (and has in fact accepted it made an error), I take the view that it should have completed it and returned it to the first bank.

That being the case, I need to assess the impact NatWest's failure had on W. Mr M has told our service about the impact this has had on him personally, as well as W's other director. Specifically, he's told our service about the stress this caused and he's said he wouldn't have had to touch his personal funds (from a recent inheritance) if W had opened an account with the first bank.

But because this complaint is brought by W, a limited company, I can only look at the impact NatWest's actions had on W, and not its directors personally. Further, while I understand Mr M's concern at what could have happened if W didn't have access to funds from Mr M, I can only reasonably make an award for actual losses suffered, and not potential losses or losses that might have accrued, but for the actions of W/Mr M.

And, having looked at what Mr M has told our service and in light of the above, I agree with our investigator that £150 represents fair compensation. W's directors had to spend time chasing NatWest and applying for a second account that they wouldn't have had to do, but for NatWest's omission. And I consider that time warrants more than just an apology, given the disruption it would have had on W. However, I can't make awards for the other items Mr M is claiming for the reasons I've set out above.

### **My final decision**

My final decision is that National Westminster Bank PLC must pay W £150 in recognition of the inconvenience W experienced.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 11 May 2022.

Alex Brooke-Smith  
**Ombudsman**