

## **The complaint**

H Ltd, represented by directors Mr N and Mr W, complained about delays and poor service from Bank of Scotland plc in relation to reinstating a dormant account.

## **What happened**

H Ltd and another company, which I'll call C Ltd, had bank accounts with Bank of Scotland. The directors for the two companies were slightly different, but Mr N was a director for both.

The account for H Ltd wasn't used from 2009, so Bank of Scotland added a dormancy marker to the account in 2016.

There were many calls and letters over the period of this complaint, and the following is a summary of the key events.

On 21 August 2019, Mr N, who was a director both of H Ltd and C Ltd, wrote to Bank of Scotland. He explained that C Ltd's bank account would gradually become less active, because H Ltd was taking over its role. Mr N said that H Ltd's account had been dormant for some time, and he wanted to reactivate it, and would be transferring the balance of C Ltd's account into the reactivated account for H Ltd.

Mr N also asked Bank of Scotland to confirm that cheques on H Ltd's account would be processed without difficulty. The two signatories on that account were directors Mr N and Mr W.

Bank of Scotland didn't reply, despite Mr N sending chase-up letters. He also rang up, asking again whether he and Mr W could issue cheques and was told they could. He was also told Bank of Scotland would need new signature mandates from the two signatories of H Ltd. But these forms weren't received and on 7 November Mr N complained.

Bank of Scotland agreed that H Ltd had received poor service, and sent a cheque for £150 compensation on 11 November, though it later turned out this couldn't be paid in until the dormancy block had been removed. Bank of Scotland said it had arranged for the necessary forms to be sent out. But although it had previously said cheques from Mr N and Mr W would be honoured, this couldn't happen until the new signature mandate forms had been sent out and returned.

Mr N wrote back, pointing out that the signature mandate which a Bank of Scotland branch had asked to be completed was for a Mr S. Mr S had been a previous director who had resigned and then died in 2009. Mr N said that this was clearly shown on Companies House – and that he'd notified Bank of Scotland twice about this in 2009.

On 20 February 2020, Mr N spoke to Bank of Scotland. A complaints manager told him which sections of the various forms needed to be completed. He wrote again in June – but in late July Bank of Scotland replied saying it still hadn't received the forms which its adviser had discussed with Mr N in February.

Mr N wrote back to say that he and Mr W had signed the pages of the bank mandate which the February adviser had said were needed. They'd returned them on 20 February and had sent them to the complaints manager personally who had told them what to do in February. They'd done what this complaints manager had told them, instead of a 24 page form which had previously been sent to them. Mr N wasn't happy that Bank of Scotland had now said that it hadn't received anything and had sent yet another copy of the 24 page form.

On 17 September, the complaints manager replied to say that she hadn't received any forms. She asked Mr N and Mr W to complete the 24 page form and return it either by recorded post, or to a customer service email address.

On 23 September, Mr N replied, but instead of the completed forms he sent a photocopy of the original mandate which had been signed before the account was dormant. He chased several times, but didn't receive a reply, and complained again in January 2021. He also faxed documents.

On 18 January, Bank of Scotland said it needed two more pieces of information from the forms. Mr N provided these, and an adviser phoned with an update, saying she was confident the forms would be accepted. But on 25 January another adviser rang to say the forms had been rejected, and Bank of Scotland would now need fresh original forms. Mr N said that the whole process had been an enormous inconvenience, with having to send multiple mailings by post, email and fax.

In early February, Mr N tried several times to phone but couldn't get through. He wrote again, listing out the nine previous occasions when he'd returned forms – but the dormancy marker had still not been removed. He complained again.

On 10 February, Bank of Scotland wrote to say that the mandate had been updated and all signatories could now use the account.

So H Ltd then issued a cheque – but it bounced. It turned out that Bank of Scotland hadn't removed the dormancy marker. Mr N complained again, both about the mandates not having been sorted out, and about the fact that the complaint manager had misinformed Mr N about what forms were needed..

In Bank of Scotland's letter of 26 February, it declined H Ltd's complaint but offered a further £200 compensation for further inconvenience caused. It said the signature mandate had been updated "*despite some confusion which has been caused by the bank.*" It said the account was still marked as dormant, and Bank of Scotland was chasing the team to ensure this was processed as soon as possible.

Meanwhile another cheque drawn on H Ltd's account bounced because of the block. And Bank of Scotland asked H Ltd to return the £150 compensation cheque which it hadn't been able to pay in because of the dormancy block.

On 2 March 2021 Mr N complained again. He said that because of Bank of Scotland's failures to activate the dormant account, which had been requested in August 2019, it hadn't been possible to close down the business which I've called C Ltd. This meant that he and the other directors of C Ltd had had to have formal accounts prepared for Companies House and HMRC for 2019/20 and 2020/21. These totalled £1,668, and Mr N said they also wanted to claim for the phone calls, letters and emails caused by all the complaints against Bank of Scotland.

Bank of Scotland replied with its final response letter on 1 April. It said it wouldn't cover the accounting fees because the delays in updating the signature mandate weren't a bank error. It said that it understood the frustration when H Ltd was told the account could be used, but cheques still bounced. This was because of the dormancy block, which Bank of Scotland said it had failed to pick up after the signature mandate had been sorted out. It said the block had now been removed so H Ltd's account could now be used.

The letter acknowledged that Bank of Scotland hadn't replied to H Ltd's complaint as quickly as it would have liked, and said that was because there had been queries about the complaint, and there had been systems problems. The letter acknowledged not having returned calls when promised, and said there were system problems.

Bank of Scotland said it would pay H Ltd the previous compensation offers of £150 and £200 (which couldn't have been paid in before, because of the block) and £150 for the latest complaint. It said it would credit H Ltd's account with the £500 total. It said it would review any call costs and postage cost if H Ltd sent evidence, but wouldn't cover the time spent.

H Ltd, represented by Mr N and Mr W, weren't satisfied and complained to this service. They set out the facts of what had happened, from the letter in August 2019 when they asked to reinstate the dormant account, to 12 March 2021 before the account was working. They asked for the accountant's fees of £1,668 to be reimbursed.

Our investigator recognised that H Ltd's directors had had an extremely frustrating time. He agreed that Bank of Scotland should have done better throughout. It had been extremely inconvenient, tedious and time consuming having to chase Bank of Scotland so often. And at various times the signature mandates were accepted then rejected, and further information had been requested which indicated that sometimes Bank of Scotland didn't have a clear understanding of the issues, and it had sometimes been left to drift. And Bank of Scotland had let H Ltd down when it didn't notice that the dormancy indicator was still on the account after the signature mandate problem had been resolved in February 2021. But the investigator thought the total payment of £500 was reasonable for the significant inconvenience, and length of time it had taken to sort out. He said that Bank of Scotland had asked Mr N to provide details of call and postage costs, but he couldn't see that Mr N had done that. He suggested Mr N should do that either direct to Bank of Scotland, or through this service.

The investigator didn't agree that Bank of Scotland should pay for the preparation of the accounts – because he thought the delay in obtaining the signature mandate hadn't been solely down to Bank of Scotland.

H Ltd wasn't satisfied. It said that Bank of Scotland had confirmed it could reactivate the account using the signatures of Mr N and Mr W. But despite having specimen signatures on file, Bank of Scotland had insisted on a fresh mandate form, which had led to a long delay. H Ltd said that it had taken eight separate mailings of the mandate form before it had been resolved.

And one reason for the mandate form being rejected was that Bank of Scotland had insisted that Mr S's signature was provided. This was despite the fact that the Companies House website showed that Mr S had resigned in 2009 – which H Ltd had communicated to Bank of Scotland and which it had acknowledged.

H Ltd said it was because of Bank of Scotland's gross incompetence that C Ltd couldn't be closed when intended in 2019, leading to two more years of accounts being prepared, with the unnecessary cost of £1,668. C Ltd's account had had to be kept open, because they

couldn't otherwise have continued to trade while H Ltd's account was blocked. H Ltd asked for an ombudsman's decision.

### **My provisional findings**

I issued a provisional decision on this complaint. Before doing so, I considered all the available evidence and arguments to decide what would be fair and reasonable in the circumstances of this complaint.

#### *Compensation for H Ltd's inconvenience*

In my provisional decision, I said that it was clear that what should have been a simple matter of reinstating the dormant account of H Ltd, in August 2019, turned out to be far from straightforward. It shouldn't have taken from August 2019 to March 2021 for this to have been sorted out. I considered there would have been considerable inconvenience to H Ltd as a result of not being able to access the account for 19 months. Forms weren't sent out, or it wasn't clear which parts of which very substantial forms were needed. And Bank of Scotland's advisers gave conflicting information.

It was also incompetent to require the signature of the late Mr S, when Bank of Scotland had been notified of Mr S's death in 2009. Companies House clearly shows that Mr S was no longer a director. Mr N kept having to chase by phone and by letter and this would undoubtedly have been very frustrating for him, and would have caused considerable inconvenience when he could have been focusing on other matters relating to the company.

I also considered it would have been inconvenient that the compensation payments which Bank of Scotland offered over time – for £150 and £200, before the final additional £150 – couldn't actually be received by H Ltd because of the dormancy block. So, for example, the first cheque was awarded in November 2019, but it couldn't be paid in and Bank of Scotland asked for it to be returned. Bank of Scotland's £500 total complaint compensation was only credited in April 2021, well over a year later.

Bank of Scotland had said that H Ltd didn't return the mandate forms, which was why it didn't uphold that part of H Ltd's complaint. I didn't have a record of every single phone call over this long period, but I accepted that H Ltd was trying to resolve this. It had kept clear helpful records and I considered it was keen to get this sorted out. It's clear that there was confusion over multiple forms – some as long as 24 pages – which H Ltd was required to complete. I found that Bank of Scotland could have provided much better service to H Ltd in helping its directors find a way through the maze.

I did, however, think that Mr N was over optimistic in his request in September 2020 that a photocopy of the original signature mandate should be accepted. I thought it was always likely that a photocopy wouldn't do. But Bank of Scotland should have said so straightaway. Instead, it didn't respond until January 2021, when it initially said it was confident that what Mr N had sent would be sufficient – which was contradicted later.

It was also a significant failure by Bank of Scotland that it never appeared to notice that the dormant marker – which had been the reason why H Ltd got in touch in August 2019 – hadn't been removed. As a result, in February 2021 H Ltd was told that the account could now be used but the first cheque bounced multiple times.

So I considered there were significant failings by Bank of Scotland, causing considerable inconvenience to H Ltd.

In considering compensation, I had to bear in mind that the account holder here is H Ltd, a limited company – not Mr N and Mr W personally. The approach to compensation for companies is different, and we don't award compensation for trouble and upset to a business. That's because a limited company can't experience distress, pain or suffering in the same way an individual person can. This affects the amount of compensation I can award.

Taking this into account, I considered a fair and reasonable amount of compensation would be £600.

This is separate from any costs relating to phone calls and postage costs. Bank of Scotland had offered to reimburse these if H Ltd provides information. So I said that if H Ltd wished to request reimbursement, it should send information to us, with its response to this provisional decision. I said I'd then consider this as part of my considerations for the final decision.

#### *The cost of the accounts for C Ltd*

I recognised that Mr N and Mr W feel strongly that it was the delays in reinstating H Ltd's account which led to the £1,668 accountancy fees. Our investigator didn't agree, on the grounds that the delays in obtaining the signature mandates wasn't just down to Bank of Scotland. My provisional decision was that I can't award these – but for a different, and legally technical, reason.

The account which was dormant, and which Mr H and Mr W tried so hard to reinstate, was for H Ltd. This is a legal entity which the Companies House website shows currently has two directors, Mr N and Mr W.

But the cost of the accounts for C Ltd fell on C Ltd. The Companies House website shows that C Ltd currently has three directors – Mr N and two others.

I recognised that both had accounts with Bank of Scotland, and Mr N made the plans clear in the August 2019 letter. This was that the plan was that C Ltd would become less active, and that once H Ltd's account was reinstated, the balance in C Ltd's account would be transferred to H Ltd's account.

But the fact remains that the accountant fee cost for preparing C Ltd's accounts was the responsibility of C Ltd. Technically, this was nothing to do with the problems of H Ltd – which was a different legal entity and apart from Mr N had different directors. I explained that it wasn't open to me to award H Ltd compensation for a financial loss incurred by C Ltd.

So my provisional decision was that I intended to uphold this complaint in part and to order Bank of Scotland plc to pay H Ltd:

- £600 compensation for distress and inconvenience. Bank of Scotland has sent evidence that it paid £500 on 1 April 2021, which would leave a further £100 to pay;
- If H Ltd wishes to claim for the postage and phone call costs, it should provide evidence of this in its response to this provisional decision by the date for responses.

I said that I did not intend to uphold H Ltd's claim for reimbursement of the accountancy fees which were incurred by C Ltd, because they weren't costs which were incurred by H Ltd.

#### **Responses to my provisional decision**

Mr N sent details of the costs which he wanted Bank of Scotland to refund. These totalled £239.20 for phone calls, and £51.91 for letters, making a total of £291.11. He said he had nothing further to add.

Bank of Scotland accepted the provisional decision. It also confirmed it was willing to pay the £291.11 in costs the customer had incurred. It said that although some of the costs are likely to have been incurred in the normal course of communication, it was prepared to cover the full amount.

### **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 reconsidered the evidence, and both sides' responses to the provisional decision, I consider that the provisional decision was fair and reasonable in all the circumstances of this complaint.

In relation to the £291.11 costs which H Ltd has claimed, Bank of Scotland has confirmed it's willing to pay this amount. So I endorse that, and include it in the order below.

### **My final decision**

My final decision is that I uphold this complaint in part. I order Bank of Scotland plc to pay H Ltd:

- £600 compensation for distress and inconvenience. Bank of Scotland paid £500 on 1 April 2021, which leaves a further £100 to pay;
- £291.11 for the postage and phone call costs set out by Mr N.

I do not uphold H Ltd's claim for reimbursement of the accountancy fees which were incurred by C Ltd, because they weren't costs which were incurred by H Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask H Ltd to accept or reject my decision before 17 May 2022.

Belinda Knight  
**Ombudsman**