

The complaint

D, a sole trader, complains that National Westminster Bank Plc hasn't provided a free clients' account for the business as it said it would.

What happened

D is a long-standing customer of NatWest. D is unhappy that NatWest hasn't kept to an agreement not to apply bank charges for its clients' account. And that it said that it now would instead be applying charges.

NatWest said that charges on D's current account ending in number '5422 had been waived for a number of years. But that it should have offered D a specific clients' account when this product became available in 2008. In 2017 D had told it that it was moving its account to a different business, so it agreed to arrange for a free tariff to continue until it was closed. This account remained open. From July 2021 charges were again applied as NatWest said that the arrangement couldn't continue for this account. And it said that charges would apply from 8 October 2021. It paid D £300 as there had been a delay in responding and dealing with a blocked card. After the complaint had been referred to this service it offered to pay a further £200.

Our investigator didn't recommend it do anything more. He said that charges on the account had been waived in the past as a gesture of goodwill. But that D was fairly bound by the conditions of the account and that as a result charges were applicable. But he agreed that D had been caused inconvenience and that this was reflected in the offer of compensation. D wouldn't be charged fees if it used a clients' deposit account.

D didn't agree. It said that it had a telephone conversation with a member of staff in June 2002 who had said that it could have free banking on a clients' account. Free banking continued for a year and it was told about a new account to use. It received cheque books but not a paying in book so it couldn't use this. The agreement had been that it wouldn't be charged on its clients' account. D is unhappy that NatWest has been unable to obtain a copy of this call. It said that the compensation it had been paid related to the problem with its account being blocked and poor service. And so, the £200 offered for this issue was insufficient and £500 was more realistic. And it wanted NatWest to honour the agreement.

my provisional decision

I issued a provisional decision on 23 March 2022. I set out below what I said.

My understanding was that NatWest never intended to charge D for transactions relating to money held on behalf of its clients. The issue was that a specific clients' account product wasn't established for D back in 2008 as should have happened. And that while D paid charges on its office account it wasn't charged for the account it was using for clients' monies. D has explained that at times this arrangement didn't always work. But that whenever it raised this with NatWest it received a refund of charges.

I could see that this happened in 2017. And at the time the arrangement for account '5422

continued because NatWest thought D was going to be closing it.

D referred to a conversation with a relationship manager in 2020. But I noted that a new account was opened on 6 June 2019 with account number ending '8587'. And this was a client deposit manager account. The system record from NatWest shows that paying in books on that account were issued on 6 June 2019 and then 5 October 2021 – the first with numbered slips up to 50 and the second from 51 onwards.

NatWest also says that in September 2019 it agreed to a free charging tariff for account ending '5422' for 18 months. This was to allow time for D to inform all its clients to start paying into the new account. This was to end on 28 May 2021.

I had no more information about a conversation D said it had with a new relationship manager in June 2020 than it's told this service. In light of what I'd said above I had no reason to doubt that a relationship manager would have told D that if it used account '8587' for client monies then it wouldn't be charged. In a call with this service D says it never received a paying in book and took the view it couldn't use the account and '*left it*' and continued to have free banking on the other account.

The position on account '5422' changed in 2021 when charges were applied. Again, D queried this, and this time was told that it wasn't a mistake. In the final response letter NatWest stated "*we can no longer offer free banking on your clients account*" and that this would end from September 2021. What that letter didn't say was that D could use account '8587' for free. D thought NatWest had gone back on the agreement. It was unhappy at the slow response to the issue and that its card account had also been blocked for unrelated reasons. And it was then offered £300 in compensation. After D had further discussion the date from which charges would apply from was extended to 8 October 2021. As I set out above a further paying in book for account '8587' was sent out on 5 October 2021 which seemed to correspond to the time when the other account would become chargeable.

I thought the information from NatWest has been confusing to D. Had it said at the outset the clients deposit manager account remains the one to use with no charges this could have been avoided. But D didn't understand that to be the case and it seems to have been a key reason for this case being referred to this service.

The position is that D could always have avoided paying any charges on clients' funds. It has known since at least 2017 that this would involve using a different account. And it has been allowed time to migrate to that account. It hasn't done so. I couldn't see a record of another paying in book being ordered before October 2021. But I didn't see D followed that up. NatWest has decided that the other arrangement can't continue any more with account '5422'. But it didn't make it clear enough to D that it could use account '8587'.

I appreciated that D was affected by service issues and an account being blocked. And NatWest accepted it didn't respond as quickly as it should. As I'd said its final response wasn't clear and this caused D more inconvenience. And although our investigator told D that the clients deposit manager account was still the charge free option that didn't come from NatWest to D and D still doubted this. I wanted to confirm this in a provisional decision and explain the background so that both D and NatWest could comment and deal with any residual uncertainty.

I needed to think about whether the compensation now offered is sufficient. I understood that D wants a further £500 on top of the £300 already paid. I knew D would be disappointed when I said that I thought that the offer already made is reasonable. I said I was considering everything that happened including the blocked card and poor service. And I took into account what D reasonably knew since 2017 about the requirement to change the account

to be used in any event.

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.

NatWest didn't make any further comments.

D didn't agree. It said that the first time it was told that it needed a different sort of account was when it spoke to a relationship manager on 8 June 2020. It was never told prior to this anything about having to set up another account to benefit from free banking on the clients' account. It also said it was never told that it would continue the free banking until it closed its account when it was seriously thinking about moving it.

It did agree to open a differently named account to continue to receive free banking but never received any paying in books. As this has been set up it wanted to know why if it wasn't going to benefit from free banking.

D said that the issue of one of its cards being blocked was a completely separate one and which is why NatWest paid £300 in compensation. D said if I wanted more information about that and what a '*fiasco*' it was it could supply the evidence. That is the reason why it wants the further £500 for this specific issue about the clients' account.

D said it expects that free banking could continue provided it used the new deposit manager account.

I have considered these comments carefully. I am now going to quote specifically from some documents that I relied upon in making my provisional findings as there are matters that remain in dispute.

On 15 June 2017 NatWest wrote to D about a previous issue with charges. It said

"I agree that you have incurred charges in error as although you do not have a client account opened with us, you have not been advised at any point that a new account was required and instead of your previous Relationship Managers fixing the issue for you. You simply had charges waived for you, which is not the correct process for us to have followed. I am so sorry for the inconvenience caused to you.

You confirmed that a new account was not required to be opened for you, as you will be looking to move to [another bank] in September 2017 due to the closure of your local branch. I have therefore agreed to arrange for a free tariff to be applied to the account until closure and will liaise with Jordan in regards to this so that you are not inconvenienced any further."

And also, in relation to the clients' deposit account I've seen an email D sent to NatWest on 17 May 2019 as follows:

"Please find attached the filled in and completed Client Deposit Manager Account Application Form that Jordan asked me to send you."

I have seen a record that confirms that this account was opened on 6 June 2019. I set out in my provisional decision the position regarding the paying in books for the account. And that D had decided as a result to have '*left it*'.

I'm satisfied from the above that D was reasonably aware it needed the new account to continue to receive free banking. And that this is why the account was opened. As I

mentioned before I can't further resolve what D was told in June 2020 but by then the account was open.

The final response letter to this complaint dated 3 August 2021 covers accepted service issues relating both to the blocked card and communication about the clients' account. I'm satisfied that the compensation then awarded relates to all issues. It was paid on that day. And NatWest has also increased the offer of compensation when the case was with this service with a view to resolving things. I'm satisfied that our investigator in his view was clear that he was assessing the overall position. I referred to this too in my provisional decision and if D wanted to provide evidence about this then it's had the opportunity to do so.

I made clear in my provisional decision that my understanding is that D can use the clients deposit account without charges. That remains a matter for NatWest's ongoing commercial discretion. But it hasn't disagreed with my summary of the current position.

There has been an element of recent miscommunication about this account as I've said. But in my view D has reasonably been aware of the different account since 2017 and opened the account in 2019 for this purpose. I can't see it made NatWest aware it didn't receive the paying in book in 2019 – or that if these had been promised again in June 2020 it followed this up. I have considered all the service elements covered by this complaint and I still find that the compensation now offered is reasonable. So, I know D will remain disappointed when I say that I won't be increasing this to £500 more than has already been paid as D still wants. I consider that the overall compensation offered remains reasonable.

My final decision

My decision is that I uphold this complaint on the basis that National Westminster Bank Plc should pay D a further £200 as it has now offered to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 10 June 2022.

Michael Crewe
Ombudsman