

The complaint

Mrs A complains that National Westminster Bank Plc (“NatWest”) unfairly restricted and closed her accounts, and that it used some of the funds held within them to repay a debt owed by a limited company of which she is the director.

What happened

Mrs A is the owner and director of a company, which I’ll refer to as “F”. Both Mrs A and F banked with NatWest. Mrs A held a personal current account and savings account with the bank, which are the subject of this complaint. The bank’s actions in relation to F’s accounts are the subject of a separate complaint.

F obtained a £50,000 Bounce Back Loan from NatWest on 11 May 2020. A few days later, F transferred £25,000 of these funds to Mrs A’s NatWest savings account.

In light of concerns as to F’s eligibility for the Bounce Back Loan it had obtained, NatWest undertook a review of its relationships with both the company and Mrs A in her personal capacity. The bank restricted Mrs A’s access to her personal accounts while it carried out its review.

NatWest decided that F was ineligible for the loan it had obtained, so it terminated the agreement and recalled the funds. The findings of the bank’s review also led it to end its relationship with Mrs A. It wrote to her on 29 July 2020 to say that it would be closing her accounts in seven days’ time.

Mrs A’s accounts remained open past the specified date, but she was still unable to access the funds held within them.

On 7 August 2020, NatWest removed £25,000 from Mrs A’s savings account and applied this to the amount owed by F in respect of the Bounce Back Loan.

The remaining balances held within Mrs A’s personal and savings accounts, which totalled around £28,000, were subsequently released to her on 5 July 2021. The accounts were subsequently closed.

Mrs A doesn’t think it was fair for NatWest to restrict and close her accounts, or to use the funds she held in her personal accounts to repay debts owed by her company. She is also unhappy at how long she was left without access to her money.

One of our investigators recommended that the complaint be upheld in part. He said, in summary, that:

- NatWest was entitled to review, restrict and close Mrs A’s accounts and it did so in accordance with the applicable terms and conditions.

- It was fair and reasonable for NatWest to reverse the payment from F to Mrs A that had utilised the company's Bounce Back Loan funds once the loan had been called in.
- NatWest ought to have released the remaining balances held in Mrs A's personal accounts to her much sooner than it did. He accepted there would've been some delay in doing so while the bank completed its review, but thought this should've been finalised by 29 September 2020.

So to put things right, he recommended that NatWest compensate Mrs A by paying her 8% interest on the account balances from 29 September 2020 until they were belatedly released on 5 July 2021, less any interest that had been earned in that time. He also thought Mrs A had been put to some avoidable trouble and upset in being without the funds and having to chase NatWest on several occasions about the matter, for which he recommended the bank pay her £400.

NatWest accepted our investigator's view but Mrs A didn't. She didn't think that NatWest had been entitled to use her personal funds in the way it had and thought the proposed compensation was insufficient. So the matter was passed to me to decide.

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 was entitled to review its relationship with Mrs A, and the terms and conditions of her accounts with the bank allowed it to restrict her use of them while it did so. I think it was reasonable for the bank to do so in the circumstances here, primarily because:

- Under the separate but related complaint from F about NatWest's actions in respect of the company's accounts, I've found that the bank had valid concerns as to F's entitlement to the loan.
- £25,000 of F's Bounce Back Loan funds had been moved to Mrs A's personal savings account. That represented a possible breach of the terms and conditions of F's loan (which required the funds only to be used for F's business purposes). The bank therefore took steps to protect its ability to recover these funds.

Following its review, NatWest decided to end its relationship with Mrs A. That was a decision it was entitled to make. The terms and conditions of Mrs A's accounts allowed for their immediate closure, and I think it was reasonable for NatWest to exercise that power in the circumstances here for the reasons I've explained above (although it opted to give Mrs A seven days' notice anyway, and in the event only actually closed the accounts sometime later).

Prior to the closure of Mrs A's accounts and the release of her funds, NatWest decided to remove £25,000 from Mrs A's savings account and apply this to the balance owed by F on the Bounce Back Loan. Mrs A doesn't think NatWest had the right to do this and I can understand her point of view – particularly as the debt was owed by a distinct third party, so the bank had no contractual right of set off to use the money in this way. But having carefully considered the bank's actions in light of the individual circumstances that apply here, I think it was fair and reasonable for NatWest to remove these funds for this purpose because:

- In reviewing the complaint from F, I've concluded that NatWest reasonably decided that the company hadn't been eligible for the loan it obtained. The loan only came into existence as a result of Mrs A's self-declaration as to her company's eligibility, which the bank had reasonable grounds to consider inaccurate.
- The loan was also to be used only for business purposes and I've seen no justification for the transfer of £25,000 of the loan funds to Mrs A's personal account.
- It would not be fair for Mrs A to benefit from these funds given that her company was not entitled to them in the first place and when the loan couldn't be used for personal purposes. Particularly as Mrs A would've been – or, at least, ought reasonably to have been – aware of both of these issues.
- The £25,000 that NatWest deducted from Mrs A's account comprised only of funds transferred from the Bounce Back Loan, rather than payments received from other sources or for other purposes. The bank didn't use the remainder of Mrs A's personal funds in this way, and subsequently released this to her. So the recall of the £25,000 put Mrs A in the same financial position she would've been in, had she not received the payment from F's Bounce Back Loan funds.

Having decided to end its relationship with Mrs A on 29 July 2020 and removed the £25,000 on 7 August, it is unclear why it then took NatWest until 5 July 2021 to release the remainder of Mrs A's funds to her. I understand from what NatWest has said that this was, in part, due to its ongoing review of matters relating to F and the Bounce Back Loan. And I can appreciate that it may have been assessing whether or not it had any claim to other funds held by Mrs A in seeking to recover money owed by her company. But, like our investigator, I think that ought reasonably to have been concluded much sooner than it was. There is no set timescale for such matters but I also think that two months represents a reasonable expectation in the circumstances here.

As a result, I think that Mrs A was unfairly deprived of access to her account funds from 29 September 2020 – being two months after NatWest's decision to withdraw its services from her – and 5 July 2021. It's right that she's compensated for this, and I think that the settlement NatWest has now agreed to pay is fair – being 8% interest on the amount in question in line with our standard approach, less any interest that she earned while the balances remained with NatWest.

I've not seen that these matters caused Mrs A any particular financial loss – her arguments in this respect apply only to losses incurred by her company in having its loan withdrawn, which are not relevant to my assessment of the bank's treatment of her as a personal customer. But I can see that she's had to spend more time and trouble chasing things up, and worrying about being without her money, for longer than ought to have been necessary as a result of the delays on NatWest's part. So it's also right that she is compensated for this distress and inconvenience, and to that end I also think that £400 is fair.

My final decision

For the reasons I've explained, I uphold this complaint in part and require National Westminster Bank Plc to:

- Calculate 8% simple interest per year on the closing balances of Mrs A's accounts from 29 September 2020 to 5 July 2021, deduct any interest earned on funds held in these accounts over that period and pay the remainder to Mrs A; and

- Pay Mrs A compensation of £400.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 21 November 2022.

Ben Jennings
Ombudsman