

## **The complaint**

Mr W complains that The Royal Bank of Scotland Plc ("RBS") closed all his accounts with no warning, which impacted his finances.

## **What happened**

Mr W had an existing loan with RBS. Mr W had missed one payment in January 2020. In March 2020, COVID-19 affected Mr W's income and he asked RBS for a Covid related payment holiday. A payment holiday meant no payments were required, his credit file wouldn't be adversely impacted, and the accumulated arrears would be dealt with at the end of the holiday. The payment holiday lasted from March to August 2020, and payments resumed in September 2020.

In November 2020, Mr W contacted RBS and explained that he was struggling to make his monthly payments on the loan. RBS agreed to accept a three-month reduced payment arrangement of £50 per month. The direct debit was cancelled and the November 2020 payment was missed. The new payment arrangement ran from December to February 2021.

During that time, Mr W requested for the loan to be extended and was told he would receive application paperwork for this. When he did not receive this, he raised a complaint. RBS apologised, gave him £80 in recognition of the issues he faced chasing it and said the paperwork would be sent to him. In a later final response letter, RBS explained that as Mr W had missed payments and had been making reduced payments, he was ineligible for the loan extension which is why the paperwork was never sent.

Due to a technical issue in the collections department, both of Mr W's accounts were immediately closed, with no prior warning. Mr W has said this had the knock-on effect of direct debits being missed, and him having to open an account with a third-party bank so he could manage his finances. RBS re-opened the accounts on 13 April 2021, gave Mr W £200 compensation for the distress and inconvenience the error caused, offered for his credit file to be amended for any adverse data between 3 March and 14 April, and for the outstanding interest on the loan of £195.35 to be cleared.

Following this, Mr W got in contact with the collections department at RBS as requested to discuss his repayment options to repay the arrears on the loan account. RBS has said Mr W did not want to go through his income and expenditure with them, which is a requirement for setting up a repayment plan. Because of this, no arrangement was made. As Mr W had not been making payments, and he did not get back in contact with the collections department as requested, RBS closed both his accounts with them again and eventually defaulted them.

There was an additional issue when Mr W's wages were deposited into the closed current account in January 2022. This was used to clear part of his existing debt with RBS. However, Mr W was unhappy with this as he needed his wages and this was putting him into further financial difficulties. These were eventually returned to Mr W's separate account, but this took some time.

Our investigator looked into the complaint and felt that the compensation offered was not a

fair reflection of the distress and inconvenience some of the issues had caused Mr W. Namely the error RBS made in closing Mr W's accounts with no prior warning and it taking some time to return his wages. As a result, they recommended an increase of a further £200. This would bring the total compensation paid to £480, as well as the interest that RBS had cleared from the loan account. Mr W disagreed with this.

As an informal agreement could not be reached, the complaint has been passed to me for 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.

Having done so, I think the total compensation offered of £480, plus the interest that has been cleared from the loan account, is fair in the circumstances.

There are many parts to this complaint, and I won't go into specific detail about all of it, but I want all parties to know that I have considered everything available to reach an outcome I feel is fair.

It's not in dispute that RBS made an error when it closed Mr W's accounts in March 2021 with no prior warning, and that this had a negative impact on Mr W. And I've considered this when reaching an amount of compensation that I feel is fair. Mr W has said this caused him difficulties with direct debits, but that he was able to open an account with another bank to help with the situation.

I feel that RBS could have acted quicker and made it easier for Mr W to access his £2,000 in wages which had incorrectly credit his closed account, though I do recognise that a third party had incorrectly paid it into the closed account in the first place. And I've again taken this into consideration when thinking about a level of compensation that I feel is reasonable in the circumstances.

Having done so, I think the £480 offered and partially paid so far is fair and in line with what I recommend in the circumstances. And I think this also accounts for incorrect information Mr W was given about the loan extension paperwork.

I understand Mr W is unhappy that RBS has not accepted a £3,000 lump sum payment followed by an additional £50 per month to clear the arrears on the loan account. RBS has explained this is because Mr W refused to go through his income and expenditure, which is a requirement to set up a payment arrangement. On balance, I think it was reasonable for RBS to refuse to accept Mr W's proposal as they had to ensure it was affordable for him moving forward. So, I don't think they made an error in the circumstances.

RBS transferred Mr W's accounts to the Recoveries department on 7 June 2021 due to non-payment, meaning he again had no access to his current account. The loan account was then defaulted on 31 July 2021 and the current account was defaulted three months later on 31 October 2021. As a payment arrangement had not been set up on the loan account, and the arrears remained, RBS followed the correct process by sending Mr W a default notice and eventually defaulting the loan account. And Mr W was no longer reducing the overdraft on his current account, which led to the default being placed on the current account after three months. And I can see this was also applied correctly. So, I don't think RBS has made an error in relation to the accounts defaulting.

### **My final decision**

I partially uphold Mr G's complaint against The Royal Bank of Scotland Plc.

The Royal Bank of Scotland Plc should now pay Mr G the outstanding compensation it has not already paid, bringing the total paid to £480 compensation, plus the interest it has already cleared from the loan account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 29 December 2022.

Rebecca Norris

**Ombudsman**