

The complaint

A trustee of a trust, who I'll refer to as Mrs K, complains that The Royal Bank of Scotland Plc unfairly closed the trust's bank account, without informing the trustees, and then declined to reopen it.

I will refer to the trust itself as J in this complaint.

What happened

In 2019, Mrs K arranged to meet with the bank to discuss funds due to the trust following the winding up of her mother's estate. At that meeting, the bank told Mrs K that J's account had been closed as dormant in March of that year.

Both sides agreed that Mrs K would provide some documentation to get the account reopened. Mrs K's family lawyers (who were also trustees) put together the documents required and Mrs K hand-delivered them in February 2020.

The pandemic then caused delays and the bank lost the documents. In June 2020, the bank told Mrs K that it wasn't going to reopen the trust account because it had ceased to offer personal trust accounts on 27 March 2020.

As Mrs K had submitted the trust's application a month before this policy change, she appealed. On 28 October 2020, the bank declined to reconsider, saying it couldn't reopen the account as it didn't offer personal trust accounts any more.

Mrs K made a second complaint, but the bank, whilst apologetic, declined to change its decision. The bank paid compensation of £400 for the trouble and inconvenience caused.

Mrs K asked our service to look in what had happened.

I issued a provisional decision on 24 August 2022. In summary, I made the following points:

- I agreed with our investigator that it was more likely than not that the bank had made an error by closing J's account without informing Mrs K.
- If the bank hadn't made this error, I thought the account would still have been open to receive the funds due from the estate, which comprised £166,218.96 in November 2019 and a further £10,028.36 in January 2020.
- On balance, I was persuaded that the trust's funds would have been placed on deposit. I said that largely because Mrs K's email to the bank showed clearly that she wanted to discuss interest-bearing accounts and the standard personal trust account did not pay any interest.

- RBS has told me that there was only one fixed term deposit available to trusts at that time – a two year fixed term. I think it's therefore more likely than not, that but for the bank's error, the trust would have invested the full amount in a two year fixed rate deposit in January 2020.
- I thought it likely that at the expiry of the fixed deposit, J would have had to find a new bank account to receive the funds.
- I was minded to consider the £400 already paid by the bank to be sufficient compensation for the distress and inconvenience caused by its errors.
- I also intended to direct RBS to pay the trust the amount of the legal bill that related to the preparation of documents to request the reopening of the account. J incurred these costs as a result of the bank's error, so I thought the bank should cover them.

I therefore provisionally awarded compensation of interest at 0.85% per annum for two years on the sum of £176,247.32, plus a further sum of £140 plus VAT for legal fees.

The bank didn't comment on my provisional decision. Mrs K said she was happy with my provisional findings and grateful for the additional compensation. She accepted that it wouldn't now be appropriate to direct the bank to reopen the wrongly closed account.

Mrs K also asked me to consider directing the bank to pay the compensation, and the £800, which was in the account when it was closed, to her lawyers' client account, where the rest of the trust's funds remain.

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, and in the absence of any objections or new evidence and arguments, I see no reason to depart from my provisional view.

In summary, I still consider it more likely than not that the bank failed to give the trustees due notice of the closure of the trust account. Were it not for this error, I think the funds from Mrs K's mother's estate would have been paid into the account and then transferred to the two year fixed term deposit that was available at that point. The trust would also not have had to pay a £140 legal bill for arranging to provide the documentation the bank required to reopen the account (which never in fact occurred).

Mrs K would like the compensation to be paid into her and J's lawyers' client account. Given that the trust doesn't have a bank account of its own, this doesn't seem an unreasonable proposal.

There is also the matter of the balance on the account when it closed. I can see that Mrs K has received some contradictory instructions from the bank regarding reclaiming this sum and which forms are necessary and I would encourage the bank's complaint's department to take ownership of this issue.

I can see that, in the course of our investigation, the bank confirmed to our investigator which form was necessary and this has been forwarded to Mrs K for her completion.

On receipt of this form, in order to ensure this matter is fully closed, I would strongly urge the bank to arrange for the outstanding balance to be forwarded to the same account and at the

same time as the compensation awarded below.

Putting things right

My starting point is that, where the bank has made an error, it should put the trust back in the position it would have been in were it not for the error.

I am therefore awarding compensation in the form of interest at 0.85% per annum for two years on the sum of £176,247.32.

I also direct RBS to pay a further sum of £140 plus VAT for legal fees incurred for putting together documentation that it shouldn't have needed and then lost.

RBS must pay the compensation within 28 days of the date on which Mrs K provides instructions on where to pay the funds (the trustees having accepted my final decision). If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

I consider the £400 already paid is sufficient to cover the trouble and upset caused to Mrs K as the trustee dealing with this issue. So I am not making a further award for this.

The bank should get in touch with Mrs K without delay to get instructions on where to pay the funds.

On receipt of the dormant account reclaim form, I would encourage the bank to pay the dormant account balance at the same time to the same account.

My final decision

I uphold this complaint and direct The Royal Bank of Scotland Plc to pay compensation as set out above to the bank account nominated by Mrs K.

Under the rules of the Financial Ombudsman Service, I'm required to ask the trustees of J to accept or reject my decision before 26 October 2022.

Louise Bardell
Ombudsman