

The complaint

Mr M complains The Royal Bank of Scotland Plc (RBS) unfairly blocked his account. He says he missed important payments and couldn't access his benefits. He also says that when they closed his account they used the balance in the account to offset a personal loan he holds with them. And, he is unhappy that he had difficulty logging a complaint and getting a final response. He wants compensation for how his and his son's lives were affected.

What happened

Mr M has disclosed that he is severely disabled and has several health conditions which impact his day to day life and well-being. I thank Mr M for letting our service know this information, and I have borne in mind what he has said when considering this complaint.

Mr M held a current account with RBS. In May 2022 RBS blocked his account. They subsequently unblocked his account in June 2022 and gave him 60 days' notice that the account would close.

Mr M complained to RBS, who said they could block his account in line with their legal and regulatory obligations and the terms and conditions of his account, and they were under no obligation to reveal their reasons. Unhappy with RBS' response Mr M brought his complaint to our service.

Our investigator upheld Mr M's complaint in part. They concluded:

- Banks can usually block accounts to carry out their legal and regulatory obligations and they don't need to provide their reasons to their customer. They can also decide to terminate their relationships with customers, and again they don't need to tell their customer why.
- However, RBS had failed to provide adequate reasons and evidence for blocking and then closing Mr M's account to our service. Neither had they explained why they didn't allow Mr M access to the funds in his account which represented his benefit payments during the time the account was blocked. So, it was not possible to fairly conclude RBS had treated him fairly. As a result, they should pay him £150 for the losses he experienced. It was no doubt stressful for him to not have access to important benefit payments, for certain payments to be missed, and to have to borrow money.
- RBS had already issued an FRL to Mr M in May 2022 when he first complained about his account being blocked. So, while Mr M felt like RBS hadn't logged his complaint when he communicated with them further, they had complied with their responsibility to provide an answer to his complaint, even if he found that answer unsatisfactory.
- The information available showed RBS hadn't used the balance in Mr M's account to

offset his loan, and after the account was unblocked the direct debit loan payment resumed. No adverse information had been reported to Mr M's credit file by RBS during the time the account was blocked.

RBS disagreed with the findings our investigator reached but agreed to accept the recommendation to pay £150 compensation. Mr M didn't find the outcome satisfactory and asked for a final decision from an ombudsman, so his complaint has been 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.

I've decided to uphold Mr M's complaint in part, but I am not directing RBS to pay him more compensation than £150. I'll explain why.

RBS has important legal and regulatory obligations to fulfil when providing accounts. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarized as a responsibility to monitor accounts, know their customer, and where possible to detect and prevent wider harm.

Sometimes, to ensure they don't breach their obligations, RBS will need to block an account to carry out a review, and this isn't unusual within the retail banking industry. They also have the commercial discretion to end a relationship with a customer as long as they comply with their terms and conditions. They are under no legal obligation to reveal the reasons behind their decision to block or close an account to a customer, and there are often good reasons for this, such as their reasons being commercially sensitive.

But, while RBS don't need to provide reasons to Mr M about why they blocked or closed his account, they do need to provide information to our service which is needed for us to fairly decide his complaint. They have failed to do so on this occasion, so I cannot fairly conclude that they were reasonably complying with their legal and regulatory responsibilities when blocking his account. Neither can I fairly conclude that they closed his account for a legitimate reason.

I have considered what RBS has said about why they haven't provided further information to our service. But as a firm subject to our service's compulsory jurisdiction, I am not persuaded they don't still need to comply with our evidential powers under the dispute resolution rules (DISP) in terms of providing the information we require.

RBS agreed to pay £150 following the recommendation of our investigator. I find this is a reasonable sum to make up for the loss Mr M experienced by having his account blocked and then closed, which includes not having access to his funds (including the funds which represented benefit payments), needing to borrow money, and the distress this situation caused him, particularly in view of what he told our service about his health.

I don't find awarding a larger sum would be proportionate. While I understand Mr M said his son was also affected, I can only consider losses he experienced as RBS' customer. Only he is the eligible complainant for this complaint, and it is not within my power to award losses to third parties.

I don't find the evidence shows RBS offset the balance in Mr M's account against his personal loan. Instead I can see multiple payments debited his account after it was unblocked which reduced his balance during the notice period before the account closed. Neither can I see that RBS reported negative credit information about him during the time the account was blocked. So, I am not upholding his complaint on these points. I see Mr M has received letters from RBS letting him know there are arrears on his personal loan, but the information doesn't show his loan has been defaulted.

RBS issued Mr M with a final response letter in May 2022. While I appreciate he may not have been satisfied with their response, RBS had fulfilled what was required of them, and this enabled him to bring his complaint to our service, which he duly did. So, I am not upholding this part of his complaint.

Putting things right

Subject to Mr M accepting my final decision, I direct The Royal Bank of Scotland Plc to pay him £150 compensation for blocking and closing his account.

My final decision

I have decided to uphold Mr M's complaint. The Royal Bank of Scotland Plc should pay him compensation according to my direction above

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 January 2023.

Liam King
Ombudsman