

The complaint

A limited company, which I'll refer to as K, complains that The Royal Bank of Scotland Plc misled it about the need to move its banking and then communicated poorly when problems arose after the switch.

K is represented by its sole director, Mr H.

What happened

K operated a business current account with RBS with an overdraft facility. RBS invited K to participate in its switching scheme, offering an incentive payment if K successfully moved its account to another bank.

In October 2020, K applied to switch and completed an application form for another bank (which I'll refer to as the "new bank") and applied for an overdraft there. The new bank asked for more information in order to consider this request.

The deadline to complete the switch was June 2021. In May 2021, the new bank didn't consider it had enough information to make a decision about K's overdraft. So it asked Mr H if K wanted to proceed with the switch and complete the overdraft application later. Mr K agreed.

By 29 June 2021, K's account at the new bank was open and all direct debits had transferred to it. But the new bank informed Mr H that K's overdraft application had been declined.

Mr H contacted RBS and told them the business had been left with no working capital to cover payments going out of the new bank and no means of repaying the overdraft at RBS. He carried on asking the bank for help and making complaints over the following weeks. In July 2021, RBS told Mr H they could reverse the switch, but this never happened.

In August 2021, Mr H referred K's complaint to the Financial Ombudsman. He said RBS had misled him into believing that K had to move banks and had left his business in an impossible position. He told us he was desperate for help, but RBS weren't providing any help at all.

One of our investigators looked into what had happened. She didn't think RBS were responsible for Mr H thinking the switch was mandatory, nor for K not obtaining an overdraft facility at the new bank. But she did think RBS had caused K inconvenience when they'd wrongly said they could reverse the switch. She recommended RBS pay £150 in recognition of this.

The bank agreed to pay the proposed compensation. Mr H disagreed and asked for an ombudsman to look at things again. He made the following points:

- He accepted that no-one had told him he had to switch. But he'd made numerous attempts to contact RBS and no-one had been available to assist him.

- The main complaint was RBS' poor communication.
- RBS had never told him he could open a new account or given him any help as to what to do about his overdraft.
- The bank had said he'd used online banking since March 2022. This was incorrect. He hadn't used it because he'd never been told it was working.
- Whilst this complaint had been going on, RBS had been adding "extortionate" charges to his overdraft and nothing had been done about these.

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.

First, I am aware that the events that began with the switch are still ongoing and continue to have serious consequences for K. In this decision, I will only be able to consider the complaint Mr H referred to us in August 2021 and not what has happened since then, which I'm aware has led to a number of subsequent complaints.

I think Mr H now accepts that RBS didn't tell him at any point that it was mandatory to switch, although he may have misinterpreted this at the time. I won't repeat our investigator's conclusions in this regard. Suffice it to say that I agree that RBS' letters weren't misleading on this point. Neither have I seen any evidence of misleading phone calls at this time.

Unfortunately, I think the central problem here is Mr H's decision to go ahead with the switch, knowing that the new bank had yet to decide whether they would give K an overdraft or not. RBS weren't to blame for this and I think most of the problems since flowed from this decision.

That said, I do agree that RBS's service and communications have been very poor in terms of sorting things out after the switch. It's clear that Mr H has made many requests for help and has not been given any. This started on 1 July 2021 when he was told they could just reverse the switch, giving him false hope that things could be sorted out simply and quickly.

As our investigator set out, for several months after this, various RBS representatives said contradictory things and failed to resolve K's problems. It wasn't until October 2021 that RBS told Mr H it couldn't reverse the switch and even then, there was still confusion about what he should do next.

There has also been some confusion over online banking. RBS has assured our service that this is working. They have also provided evidence of a transfer into the account, which appears to have been made by mobile banking in March 2022. As this is a transfer in, I'm not persuaded this means Mr H could view or make payments out of this account. However, I think this complaint point has largely been superseded by events as my understanding is that K's account is currently in Recoveries, so the bank won't be permitting any payments out in any case.

Mr H has also mentioned overdraft charges being added to his account, although he has also said he has no evidence of this since he has no access to the account. The bank has sent me a bank statement for K's account from January 2022 to January 2023. This doesn't show any charges except for a £150 arrangement fee, which I can see has been refunded. It also shows the refund of £357.81 of interest. So I can reassure Mr H that the bank hasn't added any charges over that period. I don't know what happened before between the switch in June 2021 and January 2022 but based on what I've seen, I have found no evidence of unfair charging. I suggest Mr H asks the bank for statements for the whole period if he is having trouble reconciling the balance.

I appreciate this outcome isn't satisfactory for Mr H. He still needs help. I can only suggest that he persists in communicating with RBS regarding either repaying or reinstating K's overdraft facility.

Putting things right

Although I don't think RBS are responsible for K ending up with a bank account at one bank and an overdraft at the other, I am satisfied that RBS have caused K some inconvenience as a result of their poor customer service. I am therefore upholding the complaint about poor communication. I agree with our investigator £150 is fair to compensate for the inconvenience caused.

In the interests of avoiding confusion, I am aware that in July 2022, the bank offered to pay K £250 in recognition of different communication errors, in respect of Mr H's request to reinstate K's overdraft. This was in response to another complaint and is entirely separate from the communication errors discussed here.

My final decision

For the reasons set out above, I uphold this complaint in part and direct The Royal Bank of Scotland Plc to pay K £150 as compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 19 April 2023.

Louise Bardell
Ombudsman