

The complaint

C, a limited company, complain that National Westminster Bank Plc unreasonably closed their accounts. They are also upset at the withdrawal of payment services, which meant they couldn't pay their customers. They'd like to be compensated for their lost revenue.

What happened

C is represented by a director of the company. They held accounts with NatWest, including a Euro account, which they used to collect payments from suppliers and pass these on to their customers. They charged a fee for this service.

In May 2022 C's debit card was cancelled without notice. NatWest later placed their accounts under review, and restrictions were in place between 28 June and 7 July – although payments could still be made using the Euro account. After completing the review NatWest wrote to say they'd be closing C's accounts in two months' time. But they said the accounts would still be usable up until then.

However, C found that they couldn't use the Bankline service to make payments. Instead, they had to manually fax their payment requests, which led to some payments being made late. Some payments were requested to be urgent, but this wasn't done. The access to the Bankline service wasn't restored until 20 July.

Unhappy with this, C complained about the restrictions placed on their accounts. They said the block had caused them reputational damage with their customers, and they'd had lost over €4,000 in fees because of the delay to their payments. They said the manual payments had been more expensive to make than the Bankline service. They were also dissatisfied with the communication and service from NatWest when trying to resolve the issue. The bank responded to say they had withdrawn services in line with their terms and conditions but didn't offer to do anything further.

C then referred their complaint to our service. NatWest offered to refund the difference in fees for the manual transfers from the Euro accounts, compared to the cost if they'd been made by the Bankline service.

The investigator didn't think this went far enough. They thought the initial restriction to C's accounts was something NatWest were entitled to do. However, they felt that after the restrictions were lifted C should have had access to the Bankline system and recognised that C would have been inconvenienced by having to use alternative payment methods. But they also felt that NatWest had a right to review certain transactions, and others had been requested when there weren't sufficient funds in the account. They weren't persuaded that C had a contractual obligation to make the payments to their customers in a certain timescale, so didn't think NatWest should reimburse any fees C may have lost out on.

The investigator agreed that C had been given misleading information – such as about their debit card being reissued, the cost of transfers, and how the manual transfer forms would work.

Overall, the investigator suggested NatWest:

- Refund the difference in cost for the manual transfers compared with Bankline transfers on the Euro account
- Refund the difference in cost for two CHAPS payments
- Pay C £750 for the inconvenience caused by the Bankline service not being operational
- Pay C £200 to reflect the inconvenience of the poor service

This was accepted by NatWest, who later also agreed to refund a £12 unpaid item fee and the full cost of the CHAPS payments. But C declined this as an outcome, saying it did not reflect the loss of fees, which they calculated at €4,810. C also disagreed that they had access to their accounts during the time they couldn't access the Bankline service. But the investigator wasn't persuaded that NatWest should do more than was previously suggested.

As no agreement could be reached the 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.

C has raised several points for me to consider about how NatWest handled their accounts, and the impact of these on their business. I'd like to assure the directors of C I have taken in to account everything they have submitted and considered their points carefully.

But in this decision, I shall concentrate on what I consider to be the key issues involved – as our rules allow me to do. If I don't mention something, it's not because I've failed to take it on board or consider it carefully, but because I don't see that I need to refer directly to it when reaching a fair outcome.

Review and block of the accounts

NatWest, like all regulated financial businesses in the UK, have strict legal and regulatory requirements to meet when providing accounts to their customers. Broadly, these obligations are to ensure they have adequate systems and processes in place to detect and prevent fraud, or financial crime; as well as look for signs that an account is falling victim to financial harm. This can mean that occasionally they are required to carry out a review into an account, and its activity. And it can be necessary to prevent any further transactions through the account, and any related accounts, while this happens. There is provision for this in the terms of C's account with NatWest – so it isn't unreasonable that C didn't have access to the account from 28 June 2022 until the review was completed.

It isn't always possible, or advisable, to let a customer know in advance that their accounts are going to be restricted. So, while no doubt it was very disruptive to C to find they could not access their accounts, I don't see that NatWest have done anything wrong by not forewarning them. There is no specific obligation for NatWest to disclose the reasons for the review. And in this case, they have declined to discuss the reasoning with C. NatWest have provided their reasoning to our service. Our rules allow me to treat this evidence as confidential, so I won't be able to detail this in full here. But I'm satisfied the reasoning for the review was appropriate, and in line with NatWest's legal and regulatory obligations.

I can see the review was completed by 7 July 2022, which was a reasonable timescale. I also can see from the statements that some payments were still being made and received

through the Euro account. There was a missed payment to HMRC that incurred an unpaid item charge. NatWest have agreed to refund this fee, which is fair.

The ultimate outcome of the review was that NatWest decided that they no longer wished to provide accounts to C. I can see they issued the appropriate notice of closure, in line with the terms of the account.

Disruption to payment services

Once the account restrictions had been removed, C should have had full use of the accounts until closure. But they lost access to the Bankline service they relied upon to make payments – and as this is a core part of their business model, I agree it would have been incredibly disruptive to the normal running of the business. I can see from the communications the directors of C highlighted this to NatWest on several occasions.

The service wasn't resumed until 20 July 2022. NatWest haven't been able to provide an explanation for this issue, beyond that it was a technical fault. I note the terms of the Bankline service says, "*The bank does not guarantee the availability of Bankline and accepts no liability arising from non-availability*". From this, I see that C ought reasonably to have been aware that the ability to make payments through Bankline could be limited.

That said, without any reasonable explanation of the removal, or why it took so long be restored, this was likely an error by NatWest. And considering the nature of C's business then it's clear it would have had a substantial impact, and I'm satisfied that it's appropriate NatWest pay compensation for the inconvenience and disruption to the running of the business. I've also taken in to account the communication C has sent us with their customers and suppliers – and I agree this will have affected the company's reputation with them, as well as the time taken to respond and explain to them the issues they were having with making payments. I've taken this into account when deciding fair compensation.

I've taken on board what the director of C has said about not having any access to the account. But I can see from the statements that payments were being made and received from both the Sterling and Euro accounts between 8 July and 20 July. And it's accepted these were being made through the manual processes, which will have mitigated the removal of the Bankline service somewhat. As there is a difference in cost between the manual transfers, and what would have been charged for using the Bankline service, I'm satisfied that NatWest should refund this difference.

C has asked for NatWest to reimburse them €4,810 of their own fees they say they lost out on because of the issues with the account. They have said this is because they were unable to pay their customers for almost a month, so felt that they had to process their payments free of charge. But, as explained above I'm satisfied that the initial block from 28 June to 7 July was reasonable. After this point the Bankline service was unavailable, but payments were being made to and from C's accounts. So, I can't agree C had no method of making payments, although I recognise that the lack of the Bankline service made this more inconvenient.

The sample contract for their customers that C has sent us doesn't specify a timeframe that they would then be expected to make payments to them – although in practice the reasonable expectation would be that it would be done at the earliest available opportunity. The contract also specifies that C will be not held liable for any costs to their customers for late payments where any delay is due to the bank. So, on balance I'm not persuaded that any fees C has waived, or believe they have subsequently lost out on, should reasonably be borne by NatWest.

Customer service

Having reviewed the communication between NatWest and C, I can see why this will have been an incredibly frustrating experience for the director. I've noted that it's clear that the restrictions were taking a toll on them personally, and I'm sorry to hear how this affected them. But my role here is to decide the dispute between NatWest and C – and it's within my power to make any award to the director for the distress caused to them personally.

I can see that NatWest's lack of clear communication would have made it more difficult for C to be run effectively. The series of events here begin with C being misled about whether they would be receiving a new debit card or not. There were also delays in providing C with the relevant information about making manual payments.

There are times C is asking for information about the restrictions or likely timescales that NatWest weren't under an expectation to provide. But overall, I'm minded that the service provided was not of a reasonable standard, and this will have had an impact on the running of C's business. As such it's appropriate for compensation to be paid.

Putting things right

NatWest have already agreed to refund the difference in charges between payments made manually to what it would have cost to use Bankline – I agree this is appropriate. The bank has also agreed to refund the £12 unpaid item cost for the payment declined when the account was blocked, and the full cost of the CHAPS payments. This is reasonable.

As explained above, I'm not persuaded it is reasonable to ask NatWest to pay the €4,810 that they believe they lost out on.

Turning to compensation, I agree the removal of the Bankline services in error will have had a substantial impact on C's ability to do business. But I see that C could mitigate the circumstances somewhat by arranging the payments manually. But I can't see a reasonable reason for the access to not be restored earlier. In total the investigator suggested £950 in compensation. Considering the full circumstances of the complaint, I'm satisfied this an appropriate level of compensation.

So, in full to resolve this complaint NatWest must:

- Refund the differences in cost for payments had C been able to make them through the Bankline service for the Sterling and Euro accounts
- Refund the full cost of the CHAPS payments
- Refund the £12 unpaid item fee charged
- Pay C £950 in compensation for the inconvenience caused by NatWest's errors

My final decision

My final decision is that I uphold this complaint and direct National Westminster Bank Plc to resolve the complaint as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 31 May 2024.

Thom Bennett
Ombudsman

