

The complaint

A company, which I'll refer to as W, complains about how National Westminster Bank Plc conducted a review of W's business profile, which resulted in restrictions being placed on W's account.

Mr B, a director of W, brings the complaint on W's behalf.

What happened

The circumstances of this complaint are familiar to both parties.

In August 2021, NatWest began a process to review W's business profile. NatWest is required to complete these periodic checks to comply with its regulatory obligations. W has expressed no concerns about the need for NatWest to conduct these checks.

As part of its review, NatWest sought to identify shareholders in W with a stake greater than 10%. NatWest looked on Companies House and saw that a company with a name I shall call P held more than a 10% shareholding in W. It identified a company in the UK with that name, which I shall call PUK, and updated W's business profile to say that PUK held more than 10% of W. However, later it became clear that this presumption was wrong.

Between September and November 2021, NatWest sent several letters and text messages to W asking for certain information. Amongst other things, it appeared to W that NatWest wanted the names and dates of birth of all W's shareholders.

In late November, NatWest spoke with W to clarify what it needed. NatWest now said that it didn't need the details of all W's shareholders, just those of P, as it said P owned more than 10% of W. NatWest warned W that, if it did not receive the required information by 24 January 2022, it would restrict access to W's account.

W sought to gather the information requested by NatWest, and sought to edit the pages in the business profile section of NatWest's portal but without much success. W contacted its shareholder with the name P to obtain the required information. However, although it didn't know this at the time, its shareholder wasn't PUK but a separate company which shared the name P but was based overseas. I shall call this company PO.

In December, NatWest spoke with W again and discussed the ownership structure for W. NatWest said that as P (meaning PUK) had only one shareholder, who would therefore own indirectly more than 10% of W, it required information about this shareholder of PUK.

W sought to obtain the information required by NatWest from PO, believing it was the company identified by NatWest as its shareholder. However, PO refused to supply this personal information about its own shareholder. PO said that it was willing to supply the information directly to NatWest, which W communicated to NatWest. W expected NatWest to contact PO to obtain the required information and believed the matter would now be resolved. However, NatWest had no facility for engaging with a shareholder in W in this way, so the information gaps remained.

It is apparent that, had PO shared the requested information with W, it would have revealed at that time that PO was different to PUK, which NatWest had erroneously recorded on W's business profile. This would have enabled NatWest to correct its records and realise that no shareholder in PO had an indirect shareholding in W of more than 10%.

In early January 2022, NatWest sent a further text message and spoke with W to notify it that the required information remained outstanding. However, having sought to obtain the information from PO, and provided contact information for PO to NatWest, W believed it had done all it could.

On 24 January, NatWest sent a letter to W saying that, as it still hadn't received the information required, restrictions would be put on W's account. This happened two days later.

In early February, unaware that the restrictions were already in place, W phoned NatWest to clarify the requests, explain the problems it was having with NatWest's portal and to request help in providing the required information so that matters could be resolved. W was guided to complete a declaration of beneficial interest form, which W downloaded, completed and posted to NatWest. During this call, NatWest checked the records for PUK again at Companies House and discovered that PUK was being wound up.

A couple of days later, W became aware that its account had been frozen. It phoned NatWest and initiated a complaint. During this call, W was left with the impression that the restrictions would be removed, but this didn't happen.

A few days later, W spoke with NatWest again. It continued to express its deep frustration at the restrictions in place on its account when it didn't know what it could do to satisfy NatWest's requirements. W expected NatWest to call back to clarify matters, but this didn't happen until 16 February.

On 16 February, NatWest explained to W for the first time that it couldn't contact PO as it was unable to engage with W's shareholders directly. It said that it was for W to gain the required information from its shareholder.

Later that day, W spoke with PO. In this call, it finally became apparent that PO and PUK were separate and unrelated businesses. Until this time, W had been unaware that PO was different to PUK. The fact that PUK and PO shared an identical business name had confused both W and NatWest. W phoned NatWest immediately to explain.

W informed NatWest that PO had two shareholders and no individual shareholder in PO controlled its shareholding in W. The NatWest employee informed W that they would make enquiries and call W back, but that didn't happen. W had requested the account restrictions to be immediately removed, but that also didn't happen.

W spoke with NatWest twice on 23 February but without moving matters on. The first call concerned the portal, but NatWest was unable to help W access the required ownership structure chart which needed completing; and the second call suggested that the chart wasn't needed anyway, in part because the 10% threshold signalled early in the process was the wrong threshold. W remained confused, and the restrictions remained in place. In this call, NatWest booked an appointment for W with its technical team to resolve matters with the portal, but the earliest date available was 7 March. NatWest later apologised for this long wait time.

On 25 February, W called NatWest to chase up what was happening. NatWest confirmed that they'd received W's declaration of beneficial ownership, but it still required a complete ownership structure chart. In this call, NatWest said that, given the appointment with the technical team on 7 March, it would seek to release the restrictions temporarily. However, this never happened. Following the call, W uploaded its best attempt at an ownership structure chart through the portal. On this form, W explained clearly that PO owns 11% of W, with two individual shareholders each owning 50% of PO – and thereby each owning 5.6% of W.

At the end of February, having reviewed W's declaration of beneficial ownership, NatWest found there to be gaps in the information provided and determined that it had still not been provided in the correct format.

On 3 March 2022, W posted its ownership structure chart to NatWest. It is not clear from the records what NatWest did with this document, but it is apparent that it also did not resolve matters.

Conversations continued between W and NatWest in March. On 7 March, NatWest said to W that it should never have been asked to complete an ownership structure chart. However, it again asked for a revised declaration of beneficial ownership to be uploaded onto its portal. NatWest said that it would prepare the form and email it to W for W to upload, but it appears that NatWest never sent this email.

W kept chasing NatWest to find out what had happened, speaking to people in both NatWest's business profile team and its complaints team. On 15 March, W spoke with someone at NatWest who was able to guide W through the process to download the template for the declaration of beneficial ownership form, complete it and upload it to the portal. W believed that this was exactly as it had done on 25 February. NatWest acknowledged that the document had been uploaded successfully and confirmed that it would now apply to have the restrictions lifted.

On 17 March, W called NatWest to find out if everything was complete. NatWest confirmed that the documents had been accepted and verified. Later that day, the restrictions on W's account were lifted.

W complained to NatWest. Overall, its account was restricted from 26 January until 17 March – a period of 50 days. In this time, W conducted its business through a different bank. However, it says it suffered considerable cost and inconvenience in getting matters resolved. W says it was difficult to contact NatWest as there was no email address provided by the bank; and it says that every time it spoke to NatWest over the phone, it was given different information about what was required. W's main criticism of NatWest was with regard to the inflexibility of its processes and the requirements of its portal. W accepts that NatWest required details of all material shareholders (whether direct or indirect shareholders), but the problem was that this information couldn't be provided to NatWest through its portal. W also said that much of the delay was caused by NatWest's original mistake to presume that its shareholder was PUK (rather than PO), which had caused many unnecessary questions to be asked.

NatWest said that it could not be held responsible for W being unaware that its shareholder was based overseas, or for that shareholder being unwilling to share information with W to pass on to NatWest. NatWest maintained that the restrictions were applied to W's account on 26 January 2022 correctly, in line with its notifications and warnings to W. NatWest acknowledged that W had difficulties in uploading the required documents onto its portal, but said information to help W was available on its website, or W could have requested it earlier. NatWest said that a telephone appointment to help W with uploading the required

documents could have been provided sooner but it was W's responsibility to provide it with the information required.

Our investigator considered W's complaint. He said that, although NatWest had made the initial error in uploading the wrong P onto W's business profile, had this not been the case, W would still have faced the same problem of gaining the required information about PO. He said that it wasn't the responsibility of NatWest to contact PO to obtain the information, so he didn't think NatWest had acted unfairly in placing the restriction on W's account as, at that time, the required information remained outstanding. However, he did say that, at the point in February 2022 when it became clear that PO was the shareholder in W and not PUK, NatWest should have done more to assist W in providing the required information onto its system, especially due to the technical issues W had experienced. Our investigator said that, for the inconvenience caused to W in having its account blocked for an unnecessarily long period, NatWest should pay W £250.

W did not agree and asked for an ombudsman's decision.

I issued a provisional decision on this complaint. NatWest accepted this provisional decision and W said that it did not wish to make any further representations. Therefore, my decision below is unchanged.

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.

While I have read carefully the full correspondence between W and NatWest and considered all the evidence submitted, I have focussed my decision on the matters which I consider central to this complaint. I believe there are two key issues according to the different stages of the events set out above:

- Did NatWest act reasonably in how it sought to obtain the required information from W and in applying the restrictions to W's account in January 2022?
- Did NatWest act reasonably in how it engaged with W after the restrictions were imposed to enable W to provide the information as quickly as possible so that the restrictions could be removed?

I consider each in turn.

August 2021 to January 2022

It is not in dispute that NatWest needed to obtain information from W as part of a business profile review in line with its regulatory obligations. Its requests appear reasonable. In NatWest's letters, it set out clearly the information required, and explained the action it would take should this information not be provided.

Between August 2021 and January 2022, it appears to me that NatWest engaged extensively with W, though it is apparent from the phone calls that the details of its requests were sometimes expressed in different terms and caused some confusion. It is also apparent that, although W sought to provide NatWest with the required information through its portal, it found this very difficult to navigate.

However, the biggest confusion in this period was about the identity of P. Neither W nor NatWest appreciated that W's shareholder P was a completely different entity (PO) from the entity which NatWest had recorded on W's business profile (PUK).

NatWest clearly made an error in entering PUK as a shareholder in W when it should have been PO. Although this mistake is understandable in the circumstances, it did cause confusion and, had the identity of W's shareholder been identified earlier, it is likely that the precise information required by NatWest could have been clarified earlier and the problems resolved sooner.

However, I do not believe NatWest can be held solely responsible for not identifying this error earlier. It is primarily a matter for W to know the identity of its shareholders, including where they are based.

Part of the reason why the confusion over P's identity continued for so long was because PO refused to provide the required information to W. Had it done so, the distinction to PUK would have immediately come to light.

However, again, I do not believe I can hold NatWest responsible for this. While I acknowledge that PO did offer to engage directly with NatWest, I do not believe it was unreasonable for NatWest to ask W to provide the required information from its shareholder.

But it appears that NatWest didn't let W know that it couldn't get in touch with W's shareholder directly until February 2022. Had it done so earlier, W might have spoken with PO earlier and NatWest's error in entering PUK as W's shareholder might have come to light. W might have been able to evidence sooner that there was no shareholder in PO with more than a 10% indirect stake in W.

Given that in January 2022 the process had been going on a long time, and given that NatWest hadn't been provided with the information it needed, I believe it is understandable that NatWest put in place the restrictions on W's account. However, had NatWest not made the original error to identify the wrong company as W's shareholder, or had it told W earlier that it couldn't contact W's shareholder, the situation might have been different.

January 2022 to March 2022

In February 2022, the identity of W's shareholder P became clear and, although it still refused to supply the required information, it is apparent that sufficient information was available about PO such that NatWest's requirements could be satisfied. On 16 February, W provided in a phone call to NatWest the information to explain that there was no shareholder in PO who would have indirectly a shareholding of more than 10% in W. This information was confirmed in writing through the portal on 25 February. This should have enabled matters to be resolved much sooner.

In my view, given no new information came to light between mid-February and mid-March, and given W's continued pressing for matters to be resolved as quickly as possible so that the restrictions could be lifted, NatWest could have done more to progress things quicker.

It is apparent that W had made several attempts to upload information through NatWest's portal without success, and that it required technical support from NatWest. It is also apparent that W was given conflicting information by NatWest in different calls, and at different points was encouraged to believe that the restrictions might be lifted, which they weren't.

In the call on 15 March, NatWest was able to help W provide the required information, such that the restrictions could be lifted two days later. In my view, this conversation could have happened much sooner.

So, while I accept NatWest needed to clarify the ownership structure of W, and confirm the information provided, and while I accept it needed to schedule technical support for W, I believe there were delays in this period which could have been avoided. These delays caused W to suffer ongoing cost and inconvenience from the restrictions being in place for longer than was necessary.

How to put things right

W has said that, although the restrictions on its account caused considerable inconvenience, it was able to continue trading through use of an account with another bank. Therefore, there is no basis for compensating W for any detriment to its trade.

However, the directors of W did spend a lot of time dealing with NatWest. Some of this inconvenience was unavoidable as the checks were necessary; and, as set out above, both parties bear some responsibility for the confusion over W's shareholder. However, NatWest did make a mistake in identifying the wrong shareholder for W, it could have informed W earlier about its inability to contact W's shareholder, and it could have done more to progress matters once the confusion had been resolved.

In determining appropriate levels of compensation to put things right, our service doesn't quantify inconvenience on an hourly rate but looks at everything in the round. I acknowledge that W has paid its director for each day its account was blocked in recognition of his time to resolve matters. However, while I recognise this cost to W, I do not believe this amount would be consistent with the awards typically made by our service for the inconvenience caused. Rather, I believe NatWest should pay W £750.

I also acknowledge that the directors of W will have suffered considerable stress through resolving these matters. However, the complainant in this case is W and, as a company, W is unable to feel distress. Therefore, I am unable to award anything for this.

I appreciate that Mr B will feel that this amount is inadequate to put right NatWest's mistakes but, for the reasons set out above, I believe it is consistent with our principles for awarding compensation in such circumstances.

My final decision

My decision is that I uphold this complaint in part and require National Westminster Bank Plc to pay W £750.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 20 June 2023.

Andy Wright
Ombudsman