

The complaint

A partnership which I'll call H complains that National Westminster Bank Plc (NatWest)'s systems prevented them applying for the 'Pay As You Grow' options under the Bounce Back Loan Scheme. H also complains that the bank closed their account without reason and took too long to process their account switch.

The complaint is brought on H's behalf by one of the partners, Mr B.

What happened

H held a business account with NatWest and obtained a Bounce Back Loan (BBL) from the bank in August 2020. H's BBL repayments were due to start twelve months after they had received the BBL.

In August 2021, H applied to NatWest to take a Pay As You Grow ('PAYG') option which would allow them to defer or reduce their payments for six months. However, H says that they didn't receive a response to their application despite repeatedly contacting the bank. And as the partners wanted to apply for a PAYG option, H hasn't made any repayments to the BBL.

In December 2021, NatWest wrote to the partners to say that it didn't wish to provide banking facilities to them, and they needed to make alternative arrangements as their accounts would be closed in 60 days. However, NatWest said that the BBL could remain in place, although H would need to make their repayments from an alternative account.

In February 2022, H attempted to switch their account to a new bank. The partners say that for some reason, NatWest rejected the account switch, and they then received a cheque for the balance in their account in March 2022. H was unhappy with the service they had received from NatWest and made a complaint. Unhappy with the bank's response, H asked this service to look into their complaint.

H told us that that because of the issues with their account, they'd had direct debits cancelled and hadn't been able to receive payments through their online booking system which was linked to their NatWest account – causing them a financial loss. H also said their insurance policy had been cancelled and they'd had to take out a new one at a higher premium. The partners told us they were experiencing financial difficulty because H hadn't been able to apply for a PAYG option due to the bank's systems.

Our investigator recommended the complaint be upheld in part. While he recognised that H's account closure had impacted the partners, he thought NatWest had acted in line with its terms and conditions in taking this action. He also said the bank didn't need to tell H the reason for its decision, so it hadn't done anything wrong here. However, he acknowledged that H had been negatively affected when their account hadn't been switched as expected and recommended that NatWest pay H £500 compensation and refund any loss of earnings between the account being closed in January and the new account being opened in May 2022.

Our investigator didn't think NatWest had fairly processed H's PAYG application either, as it hadn't made H aware that it wouldn't be able to apply for the PAYG options due to their account being closed. He said the bank had repeatedly said it would action the request but hadn't done so. So he thought NatWest should pay a further £500 compensation for this part of the complaint and contact H to discuss the PAYG application.

NatWest agreed to pay the £500 compensation for the PAYG issues and said that if H applied for the PAYG option again, it would review the application to ensure it was processed. However, it said it had rejected the account switch in line with its process, and therefore didn't agree that it should pay compensation or loss of earnings because of this. It also said that H had waited until the end of the 60 days to apply elsewhere for an account, so it wasn't fully responsible for H not having access to a bank account during that time. However, after discussing this further with the investigator, NatWest made an offer of £1,500 compensation to resolve the complaint.

H didn't accept NatWest's offer and didn't agree with the bank's response. They said this wasn't enough compensation for the inconvenience caused and wanted £6,500 to settle the complaint. As an agreement couldn't be reached, the case was passed to me to decide.

I issued a provisional decision on 22 June 2023. I said the following:

I know H will be disappointed with my decision, but I'll explain how I've reached this. H has provided lots of information including numerous call recordings and I've taken everything into account. If I don't directly reference something in my decision, it is not because I haven't considered it – but because I've focused on what I consider to be most relevant to how I've reached my decision.

Account closure

The bank is entitled to make the decision to terminate a relationship with a customer and the terms and conditions of the account allow it to do so as long as it has given 60 days' notice – which I've seen was the case here.

H is unhappy that NatWest decided to close their account without giving a reason. They believe this decision was taken unfairly in response to a previous complaint. However, I haven't seen any evidence that's the case. The bank has provided us with the information on which its decision was based, and having reviewed this, I'm satisfied that it was reasonable for NatWest to take this action in line with the terms and conditions of the account.

I acknowledge H says it's unfair that the bank hasn't given them the reason for the account closure, but NatWest isn't obligated to share more information that it already has, and I can't fairly require it to do so.

Account switch

H says that NatWest treated them unfairly as the bank blocked their account switch. H also says the bank said the BBL was the reason the switch didn't take place – but they don't understand why. However, I haven't seen any evidence that NatWest said the BBL was the reason the switch didn't take place. I'd also like to reassure the partners that NatWest has provided us with the information and agreement on which its decision to prevent the switch process was based and this wasn't related to the BBL. I'm afraid that the bank has provided this information in confidence, so in line with the rules of this service I'm unable to give H the explanation they would like.

However, having reviewed everything, I think it was reasonable for NatWest to take this action.

Furthermore, NatWest has told us that when a switch request from another bank has been received, it means that the account is already open and operational with the other bank. By preventing the switch request, it was simply the direct debits and balance that wouldn't automatically have been transferred. This means that once H was made aware by the switching bank by 3 February (when they told this service) that NatWest had rejected their switch request, they had several weeks to arrange for the withdrawal of the outstanding balance, manually transfer their direct debits, and update their online booking site which would've prevented them incurring any of the losses that they say they suffered as a result of this issue.

I acknowledge that H says it was caused a financial loss by NatWest as some direct debits weren't paid and they couldn't receive deposits for bookings. However, as I don't think the bank did anything wrong in preventing the switch request, it follows that I don't think NatWest are responsible for the losses H says they incurred as a result.

H says that it was given conflicting information by the bank about the account switch and given the correspondence I've seen between both parties I think that's likely to be the case. So I think the bank caused H frustration and meant H made repeated calls and emails to NatWest attempting to resolve an issue that hadn't taken place.

PAYG application issues

H says that they repeatedly tried to apply for the PAYG option, but NatWest's system was preventing them from completing this successfully, which caused them financial difficulty. NatWest said that it wasn't able to offer the PAYG option to H because of the account closure, so it didn't do anything wrong. But I don't agree. I think H was entitled to apply for the PAYG options, in line with the BBL Scheme rules, as this was independent of the bank's decision to close H's account after the partners had already attempted to apply for the PAYG repayment holiday. I also note the closure letter issued to H in December 2021 said that their business current account would remain open in case they wanted to request a capital repayment holiday for the BBL under the PAYG option - so I think it was reasonable for H to believe that they could apply for the PAYG repayment holiday without an issue and without the loan incurring interest before they were ready to start making repayments.

H says that because NatWest prevented them applying for the PAYG option, the bank started taking repayments which they weren't ready to make, which caused them financial difficulty. But I'm not persuaded that's the case. I say that because I've seen a copy of H's BBL account statement which doesn't show any payments being credited to the outstanding BBL balance. So I can't reasonably say that H was caused financial difficulty here due to being unable to apply for the PAYG option initially, as they didn't make any repayments to the loan account and therefore still had the use of those funds.

However, I do think as a result of NatWest system issue that H was prevented from applying for the six-month repayment holiday in August 2021 that they'd wanted to do. This would have meant H wouldn't have been expected to make repayments from September 2021 to February 2022. Instead, arrears began to accrue on H's BBL account from this point, which I don't think was fair.

NatWest told us that as a result of closing H's account and the partners not applying for the PAYG option before the BBL went into arrears, it had to make manual changes to their system to allow H to apply. I think it was understandable that some delays may have taken place as a result of this. However, I don't think the bank has reasonably acknowledged that the reason for H's BBL arrears was because they couldn't apply for the PAYG options. I've also seen that H was told on multiple occasions that they could apply for the PAYG as the system issue was resolved, but this wasn't the case.

This meant H spent time attempting to apply and then having to contact the bank when they couldn't complete the application as expected. It was then several months before H could make the application, and when they did there was confusion about the next steps and contact from NatWest because the partners had said they were in financial difficulty. So I think H was caused inconvenience and distress here, and I don't think the arrears were fairly recorded against the BBL.

However, I have seen electronic records which show that when NatWest resolved their system issue, and H was able to apply in August 2022, they accessed the application but didn't sign it – so NatWest wasn't able to action their request. The bank then offered to reopen the application again in October, but due to a lack of response, it was unable to apply the PAYG option H said they wanted. However, I can't see that the option to reapply in October 2022 was communicated to H, so I don't think they can reasonably be held responsible for this.

NatWest has told us that due to the time that has passed and the arrears that have accrued on the account, it can no longer apply any PAYG options to H's BBL account. The bank has explained that it has now passed the BBL to a debt collection agency and if H is unable to make the required repayments, they can liaise with them directly to arrange an affordable repayment plan. However, I don't think this is fair. I say this because it took NatWest over a year to resolve the system issue so that H could actually apply for the PAYG option, it then gave the partners a relatively short timescale to apply without taking into consideration how this service would look to put things right.

Considering all the circumstances of this complaint, I think NatWest should take the account back from the debt collection agency, then rework H's BBL as if they had been able to benefit from the repayment holiday for six months until February 2022 – as I think it's clear this was H's intention - and is what would've happened if things had gone as they should. I think NatWest should then remove the default and adverse credit information from their credit file and make an arrangement with H to repay the remainder of any unpaid instalments which have since accrued on the BBL.

I also think H was caused distress and inconvenience by NatWest as a result of being given incorrect information and not being able to apply for the BBL PAYG option when they wanted. This led to the partners repeatedly contacting the bank when they shouldn't have needed to. NatWest has agreed that its service fell below the level that H should have received, for which it has apologised and offered £1,500 to settle the complaint.

However, given that I am recommending the bank put H in the position they would have been had the PAYG option been applied correctly instead of just compensation, I think a total £750 for the distress and inconvenience caused is fair. I recognise that H will be disappointed with this as they wanted £6,500 to settle the complaint.

However, based on what I've seen, I don't think NatWest is responsible for the financial loss and related impact that H believes is the case.

I invited H and NatWest to give me any more evidence and information they wanted me to consider before issuing my final decision. NatWest didn't say whether it agreed or disagreed with the decision. H didn't agree, they said in summary:

- The decision is focused more on their BBL than the impact on them from their account closure. It should have focused more on the impact on H's business account and considered the partners' personal accounts as they were all affected by NatWest's closure request and refusal to allow the switch.
- If the reason the accounts were closed wasn't able to be shared, why were they given 60 days' notice to close their account rather than immediately. NatWest should tell them the reason given to the new bank for declining the switch request.
- It's unfair to expect them to manually change their direct debits and withdraw their cash, this takes a lot of time and should have been done as part of the switching process. They had the right to request this, and by not actioning the request, the bank had prevented them from leaving and breached the banking rules.
- They disagreed with the stage at which NatWest said their account with the new bank was open, as it took several weeks for their account to be opened and the online banking and debit cards to be provided.

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, I've reached the same conclusion as I did in my provisional decision. I'll explain why.

Mr B says that it's unfair the decision doesn't take into consideration that the partners' accounts were closed at the same time as the business account, as this shows the bank's actions were deliberate. However, H is a separate legal entity to the partners as individuals, and in this decision, I can only consider the actions the bank took towards the partnership as the eligible complainant. I recognise Mr B feels strongly about this, but the partners would need to raise separate complaints in a personal capacity against the bank for them to be considered. If the partners are unhappy with NatWest's resolution to those complaints, then the service can consider them separately.

Mr B says that NatWest should share the reasons it gave to the other bank for declining H's switch request. And that by not proceeding with the switch, NatWest has broken the breached the banking rules and prevented them from leaving – but I don't agree. As a service, we're governed by rules set by the industry regulator, the Financial Conduct Authority (FCA). They're called the DISP rules and can be found in the FCA's handbook. These rules set out how we approach complaints, in this case DISP rule 3.5.9(R) allows me to accept information in confidence where I consider it appropriate to do so. I've agreed and accepted this with NatWest, and therefore I won't be commenting further on the specific evidence it has provided regarding this point. However, I'd like to reassure H that I'm persuaded by the bank's rationale behind this decision.

I'm also not persuaded by H's argument that NatWest prevented H from leaving or breached the rules. I say this because H was able to apply for the switching request and open an

account elsewhere during the 60-day notice period they were given by the bank, so I can't reasonably say NatWest prevented them from moving their account elsewhere. And whilst I recognise it would have been inconvenient for H to have to contact each of the third party's they had regular payments going to and from, as I have already explained, this was a decision the bank was able to make. I also haven't seen any evidence they were prevented from making these manual changes by NatWest, so I don't think the bank has done anything wrong here.

I recognise that H doesn't think their account with the new bank was open within the timescales NatWest has advised and that they were impacted by the Covid-19 pandemic. However, based on the evidence from both parties, I'm satisfied that H did have some access to the account prior to their online banking and debit cards being provided – given that they'd received a sort code and account number. So I think H could reasonably have started moving their regular payments and receiving payments into that account – even if transactions had to be completed within a local branch.

H says that the provisional decision has focussed more on their BBL rather than the impact caused due to the issues with their account. The reason for this is that, as I don't think NatWest made an error with the account closure and switch, it follows that I don't think it needs to do anything further to put things right on these complaint points. However, I do think it could have done things better with regards to the BBL and therefore I have detailed the bank's actions in more detail and what I think it should do to put things right.

Mr B has told us that this has been a really distressing time, and that H has been heavily impacted by NatWest's actions. I understand why he feels the bank is responsible for this and that the compensation paid isn't enough. But after considering all the information from both parties, I am recommending the bank put H in the position they would have been in had the PAYG option been applied correctly instead of just paying compensation. I also think a total £750 for the distress and inconvenience caused is fair, as I don't think NatWest is responsible for the financial loss and related impact that H believes is the case.

My final decision

My final decision is that I uphold this complaint. I intend to instruct National Westminster Bank Plc to do the following:

- Take H's BBL account back from the debt collection agency, then rework the BBL as if the repayment holiday had been in place from September 2021 until February 2022.
- Remove the default and adverse credit information from H's credit file.
- Liaise with H with a view to agreeing a repayment plan for the remainder of any unpaid instalments which would have accrued from February 2022.
- Pay H £750 compensation for the distress and inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 7 August 2023.

Jenny Lomax
Ombudsman