

The complaint

Mr S complains The Royal Bank of Scotland Plc (RBS) closed his current account without telling him. Mr S is also unhappy that they've not properly supported him when he's in financial difficulties.

What happened

Mr S unfortunately has a number of medical issues which has meant he's not worked for some time. He says in January 2023 he asked RBS for more time in which to sort his financial matters out. He says this was agreed by RBS, and he added this debt to an existing debt plan he already had with a debt charity. The debt charity told Mr S his proposal of £1 a month was agreed. But, later on, when checking his balance he found he couldn't get online. He says he called RBS to be told his account had been closed, his debit card blocked, and all of his direct debits and standing orders had been cancelled. Mr S says this has caused some additional financial problems.

I should add at this point I'm aware of Mr S' medical conditions and I'm genuinely sorry to hear of the difficulties he's had. I've not written them out for his privacy as this decision is published, but I have taken them into account in my findings below.

On 30 March 2023 RBS said Mr S' account was passed to their Recoveries Team on 11 March 2023 (RBS actually said 2022, but in context they meant 2023). As part of their normal process, he no longer has access to the account apart from making payments into it to reduce the debt owing. All direct debits and standing orders cease at this time too. They said they had tried to set Mr S up with an Access account, but when their team called either the phone rang out, or the call was ended by the person being called before it rang out. RBS said Mr S had an appointment with the Access team on 6 April 2023 between 11am-12pm to get the account set up.

Mr S wasn't happy with this, and reiterated his concerns, but also adding that he'd had problems on the phone with them.

RBS didn't change their overall view of the issues they'd previously addressed, but said sorry for the phone issues, and paid him £50 for that.

One of our Investigators considered things, and overall found RBS had treated Mr S fairly.

He didn't agree with that, saying RBS staff had agreed with him they'd not followed their own process by opening a new account for him before closing down his existing one. So, the complaint's 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 think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Mr S' complaint in considerably less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

The crux of Mr S' complaint is whether RBS have treated him fairly when closing his account.

From the information I have, Mr S wasn't in a position to bring his overdraft back within his limit from around January 2022. I've seen Mr S' statements which show between then and July 2023 he was constantly overdrawn – albeit not always over the limit.

During this time, Mr S and RBS have been in regular contact regarding what's going on. From what I can see, this included:

- Freezing interest and charges for a significant period of time
- Regularly granted Mr S additional extensions in an effort to resolve the overdraft

So, I'm satisfied RBS have more generally treated Mr S fairly and given due consideration to his circumstances.

Mr S' key issue is that RBS closed his account, didn't tell him, and didn't transfer his standing orders and direct debits over to a new account.

On 17 November 2022 RBS wrote to Mr S formally requiring repayment of his overdraft explaining the balance outstanding was £383.07. They gave Mr S until 21 December 2022 to pay this amount – and the letter goes on to explain if he doesn't pay or set up a payment plan to repay the overdraft then they'll potentially, amongst other things, block access online and close his account.

Mr S complained about this, so RBS granted him more time and in their response of 18 January 2023 told him he needed to set up a payment plan which cleared the overdraft within 18 months. And, if he can't do this (or manage his overdraft in line with their usual terms and conditions) then his account will continue through the default process – meaning it'll be closed, a payment plan would be set up with a debt collection agent, and a new account with no overdraft facility would need to be opened.

At this time, Mr S had already been told he needed to open what was being called an Access account – which I believe is the same account RBS are referring to in their letter. RBS' notes show Mr S had an appointment on 1 December 2022 to open this new account, but he didn't accept he needed to do so.

So, as at 18 January 2023 I can see Mr S was clearly made aware he needed to repay his overdraft within 18 months – and if he wasn't able to set up a plan which did that, his account would be closed. A new account should also be set up, but he's declined to do that at the time.

I can see following this on 31 January 2023, RBS' notes record again Mr S was advised about opening a new account, but he's said he's not happy about being pressurised into opening a new account.

More discussions were had, and ultimately on 7 March 2023 RBS received a payment proposal from Mr S' debt charity of £1 a month. They accepted this agreement, but then the next day 8 March 2023 contacted Mr S by text to let him know they were cancelling his overdraft by 10 March 2023. They told Mr S he could contact them if he wanted to and gave him a phone number.

At this point, from what I can see, RBS have told Mr S he needs to repay his overdraft within 18 months, and if that doesn't happen then they'd close his account and he'd need to set up a new one with them. He's also refused this suggestion each time it's been made to him. I have listened to the calls Mr S has had with our service, and I understand when he's been talking to staff members they've said RBS haven't treated him fairly. But, I'm afraid I disagree having reviewed all of the information I've been provided. I think it's reasonable for me to say it'd been made clear to Mr S he needed to set up a repayment proposal which cleared the overdraft within 18 months. As overdrafts are repayment on demand, this is an extremely reasonable period of time. But, Mr S' offer of £1 a month would have been something he'd have known wouldn't have cleared the debt.

It's generally expected debt charities will ensure people pay as much towards their debts as they can afford. So, given all of the communications RBS had up to this point with Mr S, and that the offer came through a debt charity, I think it was fair of them to believe Mr S couldn't afford to repay the overdraft within the 18 month timeframe they'd given him. I take his point they could have asked him to pay more – but equally I think it was reasonable of them to assume he couldn't, given the offer had come from the debt charity. So, I can only conclude they've fairly and reasonably decided to remove his overdraft and close his account.

I understand Mr S is particularly aggrieved RBS didn't transfer his standing orders and direct debits. But, I can also see RBS had told Mr S on several occasions he needed to open a new account – and he'd said he didn't want to. I don't think it was unreasonable of RBS to have assumed if they'd proposed this course of action with Mr S prior to removing his overdraft and closing his account that he'd likely have said he didn't want to do so again.

That would leave RBS in a difficult position – do they override his objections at that point or take proactive action to move matters forward. I wouldn't expect RBS to open an account for one of their customers without approval – particularly given Mr S had also refused this suggestion multiple times – so they couldn't just do this in the background and tell him they've done this. I also have noted Mr S' request for his savings account to be transferred into a current account, but RBS said that isn't possible and I've never seen it happen – so I'm inclined to believe them.

What I need to factor in as well is banks like RBS do get criticised for not defaulting an account as early as they could have done. The reason for this is because a default stays on someone's credit file for six years. Our service often sees complaints from people who were in Mr S' situation complaining some years later, when the default is still there, questioning why the financial institution didn't act earlier. And sometimes our service will say, and I have myself, that the bank should have taken more proactive action earlier.

In respect of Mr S' issues regarding speaking to RBS on the phone, they've paid him £50. They noted he said he'd been cut off and no one called back, and he'd been passed around departments. Although clearly not ideal, I'm satisfied the £50 compensation is fair for these issues.

Overall then I won't be upholding this complaint. I recognise from Mr S' perspective this may not feel fair given all of the issues he's raised and the experiences he's had. But ultimately, he'd been told he needed to pay the overdraft within 18 months, seemingly couldn't afford to

do so, and previously refused to have his standing orders and direct debits transferred to a new account. In the circumstances, I think RBS have done all they can to fairly support Mr S.

My final decision

For the reasons I've explained above, I'm satisfied RBS have treated Mr S fairly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 14 February 2024.

Jon Pearce
Ombudsman