

The complaint

Miss K is unhappy National Westminster Bank Plc (NatWest) closed her account and withheld the money in it for a year, only to then release part of the money.

What happened

The facts of this case are well known to both parties so I will just summarise them here:

In March 2022, NatWest notified Miss K it was closing her account in 14 days' time. It asked her to complete a form to have the funds remaining in the account released to her. Miss K completed and returned this form to NatWest in March 2022. However, despite this, NatWest took until March 2023 to release some of the money to Miss K. It released £465.90 to her but held onto a further £1,800, which was made up of a cheque Miss K says she received for an insurance pay out.

Miss K complained as she needed access to the money in her account. She's explained she had an account elsewhere but had recently had a baby and had been saving the money in this account for this purpose. She says being without the money has put a strain on her financially and she had to borrow money from family to get by.

Our investigator originally upheld the complaint in full. Whilst she was satisfied NatWest was entitled to close the account in line with the terms and conditions, she wasn't satisfied NatWest should have held onto the £465.90 for almost a year and that it should have returned the £1,800 to Miss K too. She reached this conclusion based on what NatWest had told her at the time and this hadn't satisfied her it had good enough reason to withhold the funds. She asked NatWest to pay 8% simple interest on the £465.90 for the period it withheld the funds to take into account Miss K being deprived of the use of this money, along with releasing the £1,800 and paying 8% simple interest on this amount too. She also recommended NatWest pay Miss K £100 for the distress and inconvenience caused by the delay.

Miss K was happy with this outcome, letting us know she agreed. However, whilst NatWest agreed with the recommendation to pay 8% simple interest on the £465.90 and pay £100 compensation for the distress and inconvenience, it didn't agree it should refund Miss K the £1,800 and pay the 8% interest on this. It provided further information as to why to our investigator. As a result of this, our investigator reconsidered the complaint and concluded that Miss K hadn't done enough to show she was entitled to the £1,800 and therefore she wouldn't be recommending NatWest take any further action regarding this amount.

Miss K was unhappy with the revised outcome to her complaint. As a result, it has come 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.

Account closure

NatWest has a wide range of legal and regulatory obligations it must meet when providing account services to its customers. These obligations are ongoing so don't just apply at account opening stage. To comply with these obligations, it may need to review accounts. Sometimes these reviews will lead to the accounts being closed. If NatWest didn't do this, it could risk serious sanction.

But if a financial institution chooses to close an account, it should do so in line with the terms and conditions of the account and its reasons should be legitimate, fair and non-discriminatory.

NatWest isn't under any obligation to reveal to a customer why it closed an account. This information is often commercially sensitive. So, I don't think NatWest did anything wrong in not communicating its reasons for closing the account to Miss K. It has however shared its reasons with this service. I have reviewed the reasons and I'm satisfied NatWest was entitled to close Miss K's account and did so in line with its legal and regulatory obligations, the terms and conditions of the account and as this was a basic bank account, the Payment Account Regulations.

So, whilst I appreciate the closure of the account caused Miss K a degree of distress and inconvenience, I don't think NatWest has made an error in doing so. With this in mind, I won't be asking NatWest to compensate Miss K for this or take any further action.

Release of funds

Although NatWest was entitled to close Miss K's account, our investigator didn't think NatWest had provided enough to show it should have held onto the £465.90 in her account at the time of closure. NatWest agreed to this element of the investigators findings and has agreed to pay 8% simple interest on these funds from 9 March 2022 to 8 March 2023. This interest is intended to compensate Miss K for loss of use of these funds for this time. It has also agreed to pay £100 compensation for distress and inconvenience caused by the delay in releasing the funds to her. Miss K has explained she is also happy with this award and accepts this element of the findings. As everyone agrees on this, I won't be commenting further.

The remaining issue in dispute is whether NatWest should return the remainder of the money in Miss K's account at the time of closure. This totals £1,800 and is made up of a cheque Miss K says she received as part of an insurance pay out. Having reviewed this, I'm not satisfied I've seen enough evidence from Miss K to show she is entitled to this money. So, whilst I know it will come as a disappointment to Miss K, I'm not in a position to say NatWest should have done anything differently here, including releasing the £1,800 to her.

Putting things right

In order to put things right, I direct NatWest to do the following:

- Pay Miss K 8% simple interest on the £465.90 from 9 March 2022 to 8 March 2023.

If NatWest considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss K how much it's taken off. It should also give Miss K a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

- Pay Miss K £100 for the distress and inconvenience caused by the delay.

My final decision

My final decision is that I partially uphold Miss K's complaint against National Westminster Bank Plc and direct it to carry out the settlement detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 28 February 2024.

Sarah Brimacombe
Ombudsman