

The complaint

M, a limited company, complains that National Westminster Bank Plc ('NatWest') placed a block on their business current account for around a two week period.

What happened

The background to this complaint is well known to both parties so I will just outline key events here.

M held a business current account with NatWest for a number of decades. On 5 December 2022, NatWest sent a letter addressed to one of the three directors asking them to review their 'My Business Profile' for M, in order to continue to access the account. It said this needed to be completed by 19 January 2023. The Director named on the letter had, sadly, passed away a few months before.

M sent a letter to NatWest on 21 December 2022 informing it of the director's passing. They provided NatWest with a death certificate. M said they were responding to NatWest's letter of 5 December and said as the director was deceased it would not be possible for him to comply with NatWest's request. M said the passing of one of the directors shouldn't affect the operation of the bank account as the signatures of only two directors were required.

NatWest responded to the letter on 23 January 2023. It said the deceased director's name was being removed from the account. NatWest said the account remained operable as there were enough signatories on the bank mandate to comply with the current signing rules.

NatWest placed a block on the account the following day, 24 January 2023.

M said they discovered the account was blocked on 3 February 2023, when they were unable to make or receive payments.

M contacted NatWest numerous times following the block and took steps to have it lifted, which involved the two remaining directors providing personal information to update the company profile with NatWest. The last piece of information requested was provided by the directors on 7 February 2023 and the block was lifted on 15 February 2023.

M complained to NatWest about the block having been placed on the account.

NatWest responded to the complaint on 23 February 2023. It said that following a review, it identified that there were gaps in information it held about M and it needed to obtain this missing information. It said correspondence was sent to M twice in late December 2022 and three times in January 2023 about the review. NatWest said its correct processes had been followed and it had told M a restriction would be applied if the deadline of 19 January 2023 was not met.

NatWest said while it hadn't made any errors, it decided to waive £84 of 'unpaid item' fees that had accrued while the restriction was in place on the account.

M was unhappy with the response and continued to correspond with NatWest. They then referred the matter to this Service in August 2023. They told us that the block on the account caused a great deal of inconvenience including payments into the account from clients being returned and a VAT payment and wages not being paid. They said recovering payments returned to clients caused a great deal of inconvenience. M also said that they made over 50 calls and spent an estimated 12 hours dealing with this matter. It added that NatWest's complaints procedure was unreasonably complicated and slow.

When our Investigator contacted NatWest, it told us that once it received information from one of the directors on 7 February 2023, it should have removed the block on the account, but this wasn't removed until 15 February 2023. So NatWest offered £300 compensation as well as interest of £82.81. It also said it would consider any external costs incurred by M.

M didn't accept NatWest's offer. They said they wanted an apology from NatWest and felt the compensation offered wasn't enough to cover the inconvenience experienced. M said they were still trying to get clients to re-deposit money that had been returned to them.

Our Investigator looked into the complaint and concluded that the block was fairly applied by NatWest because requests for information, albeit that these were addressed to the director who had recently passed away, weren't dealt with by M. He said the compensation offered by NatWest to reflect the delays in removing the blocks was fair.

M did not agree with what our Investigator said, so this came to me for a decision.

I issued a provisional decision on 10 July 2024 and said I intended to uphold M's complaint as I thought NatWest should have responded differently to the letter M sent to it on 21 December 2022. I thought NatWest should have told M that it needed to take immediate action in relation to the checks NatWest was in the process of carrying out on M's account. But NatWest didn't do that, and instead blocked the account.

I said I intended to tell NatWest to pay an additional £200 compensation, bringing the total compensation to £500. I also intended to tell NatWest it should recalculate the £82.81 interest it had previously offered M, to cover the whole amount of time that there was a restriction on the account. I also said that if M had incurred any other charges or fees as a direct result of the account being blocked, then it should provide me with evidence of that prior to the deadline provided. M asked that NatWest apologise, so I said I intended to tell NatWest it should apologise for the errors made.

NatWest responded and said it agreed with the redress outlined in my provisional decision. It recalculated the interest as £260.25.

M also responded and said the compensation suggested was inadequate. They also expressed concern that this service could not look into NatWest's complaints procedure.

I am now in a position to issue a final decision.

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.

It's important to first of all say that the approach this Service takes with regard to checks of this type is that these are required by the regulator to be carried out by financial institutions, to ensure that information they hold about consumers is up to date. And so this Service will rarely interfere with financial institutions carrying out these checks.

If consumers don't provide the information requested by NatWest, then its terms and conditions allow for blocks to be placed on the account. These say NatWest can limit the use of an account or its services if "...we reasonably believe that continuing to provide access to your account or to certain services would mean that we breach a law or regulation that we must comply with".

This means I think it was reasonable for NatWest to carry out the review and request additional information. So what I've looked at here is whether the process of carrying out these checks, and the subsequent placing of a block on the account, was done in a fair and reasonable way by NatWest. And I don't think it was. I'll explain why I say this.

NatWest addressed the first letter, dated 5 December 2022, requesting an update to the business profile to the deceased director. It said this was done because that particular director was listed as the main contact on the account and, at that point in time, NatWest had not been informed that he had passed away. So no errors were made by NatWest at this stage.

M clearly received this letter and responded to it on 21 December 2022. As well as informing NatWest that one of the directors had passed away, M also told NatWest that it would not be possible for that director to complete the review that NatWest told him to complete.

What M did here was let NatWest know that they were aware that a request for information was made, but that they thought the request related to the profile of the deceased director only. I think it's clear they didn't think the remaining two directors were being asked to do anything here.

I wouldn't expect consumers to know very much at all about the 'know your consumer' process that was being undertaken by NatWest, including the importance for NatWest, and for M, that it was completed promptly. It's for NatWest to ensure its expectations and requests are made clear to customers.

So when NatWest received the letter from M dated 21 December 2022, it should have seen that M didn't know the remaining directors needed to take action, and it should have told them this wasn't the case. It should have told M that action needed to be taken immediately. Instead, NatWest told them in the letter dated 23 January 2023 that the account was operable. In spite of it being brought up by M in their letter, no mention was made by NatWest of the fact that the review of M's banking profile still needed to be carried out. And I think this should have been spelled out clearly by NatWest in this particular letter to M. So I think it's fair to say this letter from NatWest was misleading and essentially led M to think no further action needed to be taken by it.

When M became aware of the account block and what needed to be done to get this lifted, they complied quickly with NatWest's requests for information. This leads me to believe that if M had been told by NatWest, as they should have been, that the profile review still needed to be carried out, then they would have provided all of the necessary information quickly.

This means I'm satisfied that NatWest made an error when it told M that the account was operable rather than letting them know NatWest intended to restrict access if information wasn't received. I think it's fair to say that NatWest's failure to clarify this to M led to the account being blocked and to M experiencing a great deal of inconvenience as a result. So I've looked at what redress is fair, given the particular circumstances of this complaint.

I want to first of all say that it's not the role of this Service to punish businesses for errors made. We are not the regulator. What we look at is whether any financial losses have been

incurred or, as is the case here, we consider the impact that any avoidable inconvenience had on the consumer and make an award to compensate for that. It's important for M to know that we don't consider awards for distress when dealing with disputes where the eligible complainant is a limited company, as limited companies cannot experience distress.

I can see that NatWest has already waived 'unpaid item' fees incurred by M while the account was blocked. In addition, NatWest has acknowledged that it made an error when it failed to unblock M's account as soon as the information it needed from the directors was received by it on 7 February 2023. The account wasn't unblocked until 15 February 2023. NatWest have offered £300 compensation for this, as well as interest of £82.81. So I've considered whether this amount is fair.

M has told this Service that it spent a great deal of time trying to sort this matter out with NatWest after the account was blocked. It was always going to be the case that M's directors needed to provide the information requested to update the business account profile, so no compensation needs to be awarded for time spent doing that.

But, from what M has said, they also spent a good deal of time speaking to the bank before they were told why it was that the account was blocked, and what steps they needed to take to have the restrictions lifted. M told this Service that, in total, over 50 phone calls were made, and they estimated spending 12 hours on dealing with this matter.

M also told this Service that clients of theirs, who tried to pay money into M's account while the restriction was in place, had that money returned to them. M said they found it difficult, over an extended period of time, to try to get clients to resend this money. In addition, M said that a VAT payment was returned unpaid and it was unable to pay wages.

I don't think the £300 already offered by NatWest covers the level of inconvenience experienced by M here. So NatWest should pay an additional £200 compensation, bringing the total compensation to £500. I know that M doesn't think this is an adequate amount, but I'm satisfied it's reasonable in the circumstances.

NatWest also initially agreed to pay interest of £82.81. It recalculated this after I issued my provisional decision, and so the amount of interest I am asking NatWest to pay M is £260.25. I understand the 'unpaid item' fees have already been waived, and I think this was fair in the circumstances.

In my provisional decision I asked M to let me know if they incurred any other charges or fees as a direct result of the account being blocked and not being able to make or receive payments. I said that if evidence was provided then I would consider whether it was appropriate for NatWest to reimburse those costs. M did not provide information about additional charges, so I am not asking NatWest to pay anything in that respect.

M is eager for NatWest to acknowledge and apologise for the errors it made here. I think a request for an apology in these circumstances is reasonable, so NatWest should apologise in writing for the errors made. NatWest has already agreed to do this.

When M brought their complaint to this Service, they were also unhappy about NatWest's complaints process. However, this Service can only look into complaints about products or services that are regulated by the Financial Conduct Authority, and complaint handling is not an activity that is regulated by them. So although M said in their response to my provisional decision that they are concerned about this, we cannot look into that element of their complaint.

My final decision

It's my final decision that National Westminster Bank Plc should carry out the actions outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 21 August 2024.

Martina Ryan
Ombudsman