

The complaint

Mr R complains National Westminster Bank Plc (“NatWest”) closed his accounts and it’s provided a poor customer and complaint handling service.

What happened

In early July 2020, following an internal review, NatWest contact Mr R to discuss his account activity. Following this on 9 July 2020, NatWest wrote to Mr R and explained that he’s been using his personal account for business purposes. And that as he has a business account with NatWest he should use that, or a new business account, for any payments relating to his business activities.

Mr R was also advised in that letter that if business activity doesn’t cease within the next three months through his personal accounts, it will have no option but to initiate their closure.

Mr R says he wasn’t clear as to whether he had a business account with NatWest in line with what he was told by it. But when he looked into this, he found he didn’t have one.

Around October 2020, Mr R applied for a business bank account with NatWest. As part of this application, NatWest requested further information from Mr R which included tax documentation. There were several interactions between Mr R and NatWest’s business application team during this period. Mr R’s application to open a business account was declined by NatWest.

Following a further review, in December 2020, NatWest notified Mr R that it had decided to close his accounts in 60 days’ time. Unhappy with this Mr R contacted NatWest and spoke to its operatives.

In February 2021, NatWest wrote to Mr R and said his accounts will no longer be closed due to a misunderstanding with his business account. And that Mr R will now be permitted a further three months to ensure a business account is opened. NatWest also informed Mr R that after this period, another review will be carried out on his accounts to ensure no further business transactions pass through them.

Later in 2021, NatWest conducted a further review of Mr R’s accounts. And then in January 2022, NatWest sent Mr R a letter of notice that it was closing his accounts in 60 days’ time from the date of that letter. The letter also explained that any funds owed to NatWest will need to be repaid within 60 days’ also. And if he fails to, NatWest will follow its normal debt recovery procedures.

Unhappy with NatWest’s decision to close his accounts, Mr R complained. In its response of February 2022, NatWest did not uphold Mr R’s complaint. In summary, it made the following key points:

- NatWest takes its legal and regulatory obligations extremely seriously. And its decision to close Mr R’s accounts is in line with its obligations and terms of account

- NatWest can't disclose its precise reasons for closing Mr R's accounts
- NatWest will now take his case to appeal

In April 2022, Mr R's accounts were closed. The overdraft amount Mr R owed was passed to NatWest's recoveries team.

In July 2022, following contact with Mr R, NatWest sent another response to him in relation to his complaint. The key points it made were:

- Mr R contacted NatWest on 25 February 2022 and on 28 February 2022. NatWest's complaint team tried to call Mr R back however the call was cut off on two occasions. Mr R requested a further call back on 19 May 2022, and on 20 May 2022. NatWest called Mr R back and there was no answer, so a voicemail was left. Mr R contacted NatWest again on 5 July 2022 following which it's sent this response
- If Mr R has questions about the repayment of his outstanding overdraft, now passed to a third-party recoveries team, Mr R will need to contact the telephone number he was previously provided with
- Compensation will not be considered as NatWest hasn't made an error

Following further interactions between Mr R and NatWest, he complained about the customer service he had received – namely, that promises to call him were not carried out by NatWest's staff.

In September 2022, NatWest sent Mr R a response to this complaint. In short, it said:

- NatWest agrees that its customer service was poor. Whilst it hasn't made an error in deciding to close Mr R's accounts, it should follow up on its promises to call him back
- NatWest will send Mr R a cheque for £100 for the distress and inconvenience this caused him

Unhappy with NatWest's actions in relation to the closure of his accounts and poor customer service Mr R referred his complaint to this service. NatWest didn't consent to his complaint being considered by this service saying it had been referred outside of the time limits that apply.

Another Ombudsman looked into this and decided it was a complaint we could consider.

One of our Investigator's then looked into the merits of Mr R's complaint against NatWest. Following their investigation, they sent both parties their recommendation to uphold the complaint. In summary, the key findings they made were:

- NatWest is entitled to close accounts in line with its terms and conditions, and the legal and regulatory obligations placed upon it
- NatWest doesn't need to give Mr R a reason for doing so, but it does need to demonstrate to this service that it has acted in line with its obligations and terms of account
- NatWest hasn't shown it acted fairly in closing Mr R's accounts. And as it provided insufficient information, they can't conclude its decision to close the accounts was fair or reasonable

- Mr R's main account was with another bank. So they're satisfied the impact of the closures was minimal – albeit frustrating and inconvenient
- NatWest has already accepted its customer service fell short and has awarded Mr R £100 for this. This is fair and in line with this service's approach to such awards
- NatWest should however pay Mr R a further £50 for the distress and inconvenience it's caused him. But NatWest doesn't need to reopen the accounts

Mr R didn't agree with what our Investigator said. I'd like to assure Mr R that I've carefully reviewed everything he has said, even if I don't explicitly set-out all his points here. Some of the key points he's made in response to what our Investigator said are:

- Upholding his complaint is a move in the right direction, but the compensation in total is well short of the distress and inconvenience he's suffered
- The effort of ensuring his complaint isn't unfairly prejudiced, being erroneously told he had a business account, an application for a business account being declined despite providing the information NatWest required took at least ten hours of his time
- It also took him over ten hours to resolve the issue when he was told his accounts were going to be closed in December 2020, and another ten hours when he was given notice of closure again in December 2021. Altogether he has wasted at least 40 hours of his time on this matter. He should be paid at least £65 per hour compensation which represents what he charges in his professional capacity – around £2,600 in total
- The accounts should be reopened. And his complaint hasn't been fully and properly reviewed given the numerous interactions he had with NatWest. So Mr R asked for an Ombudsman to look at his complaint afresh, and ensure all the information submitted on the complaint, including phone calls, are made available to them for review
- Mr R questions why NatWest isn't sharing the information this service requires, and why it isn't giving him a better explanation for its actions

As Mr R didn't agree, his complaint was passed to me to decide. After carefully reviewing all the information, I asked both parties to send me further information – which included NatWest giving me a better explanation and more information to show why it's taken the actions it has.

NatWest provided me with the information I required. Mr R has also answered question that I'd asked him for. For completeness, I've summarised some of his key responses here:

- NatWest accepted, in an apologetic tone, that it decided to close his account through a misunderstanding with his business account in February 2021. But this had little bearing later on, despite him not using his personal accounts for business purposes thereafter
- NatWest's decision to close his account in December 2021 with 60 days' notice was followed by ineptness, unprofessionalism, and poor administration by it
- The impact of NatWest's actions, more so in December 2020, was 'considerable'
- Mr R did have another account with an external provider at the time

- Mr R didn't know NatWest had closed his account until his banking app stopped working in April 2022. This is much more than the 60 days' he'd been told the account would close by
- Mr R hasn't heard anything more about his overdraft debt since his banking app stopped working – and he wasn't informed that his debt had been passed to debt collectors. Mr R doesn't agree with the amount he's been told he owes, that's why he didn't pay upon receipt of the claim
- Long intervals between communications were NatWest's fault as Mr R was waiting for an update especially regarding his appeal following its complaint response of February 2022. NatWest also failed to respond to his requests for discussion despite leaving voicemails

Provisional decision

I then sent both parties my provisional decision. For ease of reference, here is what I said I was planning on deciding:

"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'm planning on deciding to uphold Mr R's complaint in part. I note how strongly Mr R feels about this matter, and much of what I'm about to say will disappoint him. So, I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything that Mr R and NatWest have said before reaching my provisional decision.

Mr R's complaint points encompass actions taken by NatWest before the account closure notice was sent in January 2022. NatWest's complaint responses deal with events from that point onwards. So there's an argument that they, including the declination of the business account application, shouldn't be considered as part of this complaint. After all NatWest hasn't directly addressed these points.

But having given this much thought, I'm satisfied that everything Mr R complains about forms the substance of his complaint. All the events are inextricably linked and given my inquisitorial remit which derives from the rules I must follow, I'm persuaded that I can, and should, consider this complaint in its entirety.

Account reviews and closure

Banks in the UK, like NatWest, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Mr R's accounts were never restricted by NatWest when carrying out its reviews. Having looked at the reasons, and information NatWest have more recently provided about the reviews it undertook from 2020 onwards, I'm satisfied it acted in line with the obligations it must follow.

NatWest's terms and conditions of its personal current accounts say it must not be used for business purposes. In July 2020, NatWest conducted a review and determined that Mr R was using his accounts in relation to his business. Mr R does not dispute this and says he wasn't aware he couldn't.

As I've said above, Mr R was then advised that if business activity through his accounts didn't stop, it would have no option but to close them. Given its terms are explicit about this, I'm satisfied NatWest acted fairly here.

NatWest then carried out another review towards the end of 2020, something it said it would do earlier. Following that review, it wrote to Mr R and said it had decided to close his accounts. Having reviewed NatWest's explanation and the information it's provided, I'm satisfied it did nothing wrong here.

Mr R argues that after he'd spoken to NatWest they reversed its decision in an apologetic manner. NatWest said it had reversed its decision due to a misunderstanding about his business account. And because of that it will permit the accounts to remain open and then carry out another review in three months' time to ensure no further business transactions are made through them.

Having carefully considered this, I'm persuaded NatWest most likely realised that it had given Mr R incorrect information about having a business account, and that he had applied and failed to get one during the period from his last review. It's clear from NatWest's internal notes that it made an error in telling Mr R he already had a business account, and this caused him avoidable inconvenience. So I think NatWest have done something wrong here which I will need to consider compensation for.

But, in terms of the account review and the proposed and averted closure, I'm satisfied NatWest acted fairly and reasonably here, and offered Mr R the opportunity to sort out his business banking arrangements before reviewing the accounts again some time later.

In January 2022, following another review, NatWest decided to close Mr R's accounts with 60 days' notice. Once again, having looked at NatWest's reasons for doing so, I'm satisfied it acted in line with the terms and conditions of the account, and did so fairly. In line with this notice, NatWest ought to have closed the accounts in March 2022 – but didn't do so until April 2022. Having the use of the account for a time longer than he was told was to Mr R's benefit, so I don't find that NatWest did anything to cause detriment here.

Mr R argues that, in February 2022, after he appealed NatWest's complaint response that it hadn't done anything wrong he relied on this to think his account wouldn't be closed until the appeal had been addressed. But I don't agree with this, though I accept that this is a plausible explanation.

I say that because at no point had NatWest said it was suspending its decision to close the accounts. NatWest is entitled to close an account just as a customer may close an account with it. But before NatWest closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which NatWest and Mr R had to comply with, say that it could close the account by giving him at least 60 days' notice. And in certain

circumstances it can close an account immediately or with less notice.

Given NatWest gave Mr R at least 60 days' notice, didn't say it was altering its position, and based on the information I've seen, I'm satisfied it was entitled to close Mr R's accounts in the way it has done so.

I know Mr R would like a more detailed and specific explanation as to why NatWest decided to close his accounts in April 2022. But NatWest are under no obligation that I'm aware of to do so. I'd also add that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information NatWest has provided is information we consider should be kept confidential.

Mr R is already aware that the initial reviews stemming from 2020 involved him using his accounts for business purposes which wasn't permitted under the terms of the account. So he would've known some of the reasons for the earlier reviews.

Business account

I've already said that NatWest made an error in telling Mr R he had an open business account in 2020 when he didn't. And that this caused him avoidable inconvenience. But part of Mr R's complaint involves his application for a business account being declined by NatWest around October 2020.

Having a business account would no doubt have alleviated the issue Mr R was trying to resolve of having his business payments made into the appropriate type of account. Mr R has said he had another account with an external provider at the time – but it's not clear if this was a business account. I think it most likely wasn't, as I imagine he would've used this as soon as he says he realised he shouldn't be using his personal NatWest accounts.

I've seen enough information from NatWest as to why it decided to not approve Mr R's application for a business account. And having carefully considered this, I'm satisfied it acted both fairly and reasonably in doing so. Mr R is likely to want a more detailed explanation about this, but for similar reasons as above, NatWest isn't obligated to do so.

Customer service and complaint handling

I note NatWest say it has sent Mr R a cheque for £100 for the distress and inconvenience its failed promised to return his calls caused after July 2022. But I think NatWest has failed to provide a reasonable level of service and complaint handling in the round here that warrants further compensation given that these failings appear to have happened over five or six months.

I've already said NatWest provided poor service and misinformation when telling Mr R he had a business account. But I also think NatWest failed to give a timely response to Mr R when it said it was taking his complaint outcome to appeal in February 2022. He didn't get any response to this, from what I've seen, until July 2022. And this appears to have been instigated through his contact with NatWest.

I note this point relates to the way his complaint has been handled, and this in isolation isn't a regulated activity. But as it relates to an underlying financial service that is regulated, I'm satisfied I can take this into account as part of this complaint and its determination.

Mr R says he's spent upwards of 40 hours trying to deal with this matter. I have no reason not to disagree with this. But I've considered compensation for any distress and

inconvenience in line with our approach, which is available on our website.

Given I'm satisfied the account reviews, account closure including those averted, were done fairly and in line with the terms of the account, I think I need to look at the customer service and complaint handling issues I've detailed above, and what impact they had, in isolation.

Having done that, I think a further award of £250 is fair compensation for the considerable distress and inconvenience Mr R suffered. This means I find no basis for awarding compensation for NatWest conducting its reviews, and ultimately closing Mr R's accounts.

So NatWest must pay Mr R £250 on top of the £100 it says its already paid to him. So £350 in total.

Lastly, Mr R was told that he would need to pay any outstanding debts within the 60 days' he was given notice of in January 2022 – and before his accounts were closed. Mr R effectively had until April 2022 to do this given the closures didn't happen until then. The letter Mr R was sent also said that if any debt wasn't paid, then NatWest would follow its normal collections and recovery process.

So, given the above, and as NatWest never said it had decided to reverse its decision to close the accounts after January 2022, I'm persuaded NatWest hasn't done anything wrong here. Mr R says he disputes the amount he owes. He should raise this with the collections entity he's already been given contact details about so that it can be looked into"

I then set a deadline for both parties to make further comments and send in new evidence. That deadline has now passed.

NatWest agreed with what I said I was planning to decide. But Mr R did not. In summary, some of the key points Mr R has made are:

- What I'm planning to decide is too lenient on NatWest. A compensation payment of £250 will not punish NatWest enough to change its behaviour and practices
- The only fair way to calculate compensation is to pay Mr R's hourly rate of £65 for 40 hours of lost time. Anything less isn't a fair and reasonable resolution to this complaint
- NatWest didn't close Mr R's account fairly and didn't have a valid reason for doing so. And what evidence has NatWest provided to now show it closed the account fairly – when it had previously apologised
- NatWest are not accepting its errors which isn't in the public's interest
- Can the ombudsman really be satisfied the account reviews and closures were done fairly?

I must now decide this complaint.

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 decided, for the reasons in my provisional decision – as above - to uphold this complaint in part.

Mr R says that £250 is not enough compensation because it won't in of itself alter NatWest's behaviour and practices. The role of this service, which extends to me, is to determine individual complaints. So the compensation I've recommended is based on what I think is fair compensation for what NatWest has done wrong in relation to Mr R's individual complaint.

Any issues relating to a regulated businesses wider operation is a matter for the regulator, the Financial Conduct Authority (FCA).

I've said that NatWest failed in providing adequate customer service and in giving Mr R accurate and not misleading information about holding a business account. It is because of this that I recommended NatWest pay Mr R £250 compensation for the distress and inconvenience he's suffered as a result.

Mr R says NatWest should pay him his hourly rate for around 40 hours he has spent looking into this matter. But a large part of this relates to queries about the account reviews and closure. And I've said that was done fairly. I'd also point out to Mr R that I've awarded this compensation based on our approach to such awards - this is available on our website. So I still think £250 on top of the £100 NatWest has already paid is fair compensation.

I'd already explained in my provisional decision that NatWest isn't under any obligation to explain why it took the actions it did. I have seen NatWest's explanation and evidence for reviewing and then deciding to close Mr R's account. And having done so I'm satisfied it acted fairly - in line with what I've said in my provisional decision about the account reviews and closure.

My final decision

For the reasons above, I uphold this complaint in part. National Westminster Bank Plc must now pay Mr R £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 February 2024.

Ketan Nagla
Ombudsman