

The complaint

Mr G complains that The Royal Bank of Scotland Plc (RBS) closed his account without explanation. Mr G also says that RBS gave him incorrect information regarding his account balance and is unfairly asking him to repay money he doesn't owe.

What happened

Mr G had a business account with RBS. Mr G's account didn't have an overdraft facility.

Mr G has explained that he used the account to accept payments from customers for digital designs he supplies. Mr G says that he always immediately withdraws payments that are made into his account.

For ease I have set out a summary of activity on Mr G's account and RBS's actions for the period in question.

- On 28 July 2021, Mr G's account balance was zero, after he withdrew £50, which had been paid into his account.
- On 29 July 2021, following an account review, RBS applied a block to Mr G's business account. This meant that the account shouldn't have been unable to accept debits and credits. However, the exact timing of when RBS applied the block is unknown.
- On 29 July 2021, Mr G transferred the following amounts out of his account; £180, £770, £175, and £1,180. These payments didn't appear on Mr G's full bank statement as credits.
- On 29 July 2021, Mr G visited a branch and obtained a mini statement of his account which showed the £75, £240 and £1,180 credits as 'automated paid in.'
- On 29 July 2021, Mr G withdraws £315 from his account (made up of the £75 and £240 payments).
- The mini statement notes 'items with today's date have still to be confirmed and are included for information purposes only.'
- RBS say the payments never credited the account due to the block which was applied.
- On 30 July 2021, RBS decided to close Mr G's account and write to him giving him seven days' notice that he needed to make alternative banking arrangements. The letter also told Mr G that his account was £2,620 overdrawn (made up of the six payments Mr G had withdrawn) and that he would need to arrange to repay the money within seven days.
- On 3 August 2021, RBS sent the six payments which Mr G had withdrawn from his account on 29 July 2021, back to source.
- On 5 August 2021, Mr G wrote to RBS to complain that his account shouldn't be

overdrawn and referred to his mini statement, which he said had showed his account had a zero balance. He said he had withdrawn all the money from his account, as they were payments legitimately earned by him for work that he'd done for customers. Mr G said that the overdrawn balance was due to a mistake made by RBS in sending back the funds he'd already taken out of his account.

- On 10 August 2021, RBS sent Mr G a formal demand notice for the overdrawn balance.
- On 20 September 2021, RBS wrote to Mr G to let him know that it was passing his account to its debt recovery agents.
- On 8 October 2021, RBS debt recovery agents, wrote to Mr G letting him know it would be in touch to discuss repaying the money.
- In January 2022, RBS sent Mr G a notice of default as he hadn't made any attempt to repay the money the bank said he owed.

Mr G complained to RBS about the closure of his account and default being recorded against him. Mr G disputed that his account was overdrawn. He maintained that he didn't owe the bank any money and that RBS should have asked him about his entitlement to the money that had been paid into his account, before deciding to send the payments back to source, which created the debt on his account.

Mr G also said the information shown on the mini statement was contrary to the information shown on his actual bank statement. Overall, he said he didn't owe RBS any money and the default was unfair.

In response, RBS said it hadn't done anything wrong when it had blocked and closed Mr G's account. It said it had done so in line with the terms and conditions of Mr G's account. RBS also said that due to the block the payments never credited Mr G's account. RBS said Mr G still owed the bank money and it had returned the payments back to the remitters. So, Mr G should contact the senders of the payments to recover any funds.

Unhappy with this response, Mr G brought his complaint to our service where one of our investigators looked into what had happened. The investigator asked RBS for some more information about why it had closed Mr G's account and the payments it had sent back to source. The investigator also asked Mr G to provide evidence of his entitlement to the funds that were sent to his account that he'd withdrawn. Mr G provided copies of emails between him and customers confirming the payments.

After reviewing all the information, she didn't think RBS had treated Mr G fairly when it closed his account. She said whilst she appreciated mini statements didn't always display full up to date balance information, Mr G had been given the impression that the payments which RBS returned to source had credited his account. So, when he had withdrawn £315, he was under the impression his account was in good order, and he'd left it with a zero balance. So, she said RBS had given Mr G misinformation and should pay £150 compensation for any trouble and upset this had caused him.

The investigator said however, that even if the three returned payments were disregarded Mr G's account was still overdrawn from withdrawals he'd made on 29 July 2021, so she said RBS hadn't treated him unfairly when it had asked him to repay the money and recorded a default.

RBS agreed with the investigator's view. Mr G didn't. He said he doesn't owe RBS anything and that the debt has been created by the bank sending back money that was legitimately

paid into his account after he had withdrawn the funds. He wants the debt written off and default removed.

As no agreement could be reached the matter has come to me to decide. After looking at all the evidence and circumstances of this complaint I came to a different conclusion to the investigator. I issued a provisional decision in which I said the following:

I would add too 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 RBS has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr G, but I'd like to reassure him that I have considered everything he and RBS has said before reaching my decision.

I'll start by setting out some context for why RBS reviewed and blocked Mr G's account. RBS are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime.

RBS will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review - doing so helps prevent potential financial loss or other harm that could otherwise result. And that is what happened here.

I've considered the basis for RBS's review, which I find was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied RBS acted fairly by blocking Mr G's account and had no obligation to tell him the basis of its concern or forewarn him of its intention. So, I can't say RBS have done anything wrong when it decided to review and block his account.

I've next considered RBS's reason for closing the account. In doing so, I appreciate that RBS is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite RBS should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

The terms and conditions of Mr G's account set out that the bank can close the account by providing Mr G with 60 days' notice. In certain circumstances, it can also close the account immediately. In this case RBS blocked Mr G's account, so I consider RBS closed his account immediately. Since Mr G wasn't able to use the account following the block. For RBS to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, I'm satisfied that RBS did. So, it was entitled to close the account as it's already done.

Mr G suspects RBS has relied on information relating to another account he held to close his account, which he says isn't fair. He says the activity on that account had nothing to do with his RBS account. RBS has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr G due to its commercial sensitivity. But I've seen nothing to suggest RBS's decision around closing Mr G's account was unfair.

On balance when considering RBS's wider regulatory responsibilities and all the information available to me, I find RBS had a legitimate basis for closing Mr G's account . So, I don't find RBS treated Mr G unfairly when it closed his account. As I'm satisfied that RBS haven't acted inappropriately, it wouldn't be appropriate for me to award Mr G any compensation for closing his account.

Of course, I understand Mr G wants RBS to explain the reason it closed his account. It can't be pleasant being told you are no longer wanted as a customer. And I appreciate that RBS decision caused him inconvenience. But RBS is under no obligation to tell Mr G the reasons it no longer wants him as a customer as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr G this information. And it wouldn't be appropriate for me to require it do so.

I've next considered the information Mr G was provided and the activity on his account that led to the default.

Mr G visited a branch to withdraw his closing balance and after obtaining a mini statement he withdrew £315, leaving his account, based on the information he'd seen on the mini statement of his account with a zero balance, and as far as he was concerned in good order. So, he was shocked and upset to be told by RBS that he owed the bank £2,620 because his account was overdrawn when it was closed. Mr G says he doesn't owe the bank any money and the debt was created by RBS sending back money that he'd received legitimately and already withdrawn.

Despite being asked by the investigator RBS haven't been able to explain what time exactly the block which would have stopped credits and debits on Mr G's account was applied. RBS also hasn't been able to explain how Mr G was able to withdraw funds from his account that it had decided to send back.

From looking at Mr G's account statement, despite there being a no operations marker applied to his account, and the payments not appearing as credits on his statement, on 29 July 2021, Mr G was able to transfer four payments that RBS subsequently returned to the remitters on 3 August 2021. He was then able to withdraw the two remaining payments RBS returned to the remitters when he visited a branch to withdraw his closing balance. Overall, this amounted to £2,620.

I've not seen any evidence to suggest that Mr G wasn't entitled to these six payments – Mr G has provided this service with information from customers which show he had provided goods/services in return for the payments. And I've not seen any evidence to the contrary. So, it's not clear to me why RBS decided to send the six payments back to source. It's also not clear to me why they did so on 3 August 2021 – after Mr G had already withdrawn the money, which then put Mr G's account overdrawn.

I've looked at the mini statement and Mr G's full bank statement. I've also kept in mind that RBS had applied a block to Mr G's account and that mini statements don't always display up to date information. I note too that the mini statement state does display a warning that 'items with today's date have still to be confirmed and are included for information purposes only.' RBS says the mini statement did not factor in the no operations marker impact which ultimately rejected the credits Mr G withdrew. However, I don't think Mr G did anything wrong in relying on the information he was given and withdrawing the funds from his account. Despite what RBS have said about the funds not crediting Mr G's account, the fact that Mr G was able to withdraw the funds, leads me to think that the funds probably did credit the account leaving it in a positive balance. I think it was therefore reasonable that Mr G

believed that these were cleared funds and withdrew them. RBS then deducted these amounts, leaving Mr G overdrawn.

RBS registered a default against Mr G and also passed Mr G's account to debt collectors. RBS says because Mr G ran up the debt and made no attempt to repay it, then it is required to record this information as a genuine default with the credit reference agencies. I don't agree. I say this because RBS sent the money paid into Mr G's account back to the remitters after he'd withdrawn the funds. I understand that RBS feels it must record information with the credit reference agencies that reflects the way a customer manages their account. But I'm not persuaded that leaving the default and non-payment markers on Mr G's file truly reflects what has happened here. Mr G's account wasn't in default. RBS sent money back to source that was no longer in Mr G's account. So, I am currently minded to say that RBS should remove the default and non-payment markers it recorded. And that RBS should stop pursuing Mr G for the debt.

Our investigator recommended compensation of £150 for RBS providing him with misleading information about the position of his account when he obtained a mini statement. And the upset he was then caused when he received a letter from the bank telling him that his account was in fact overdrawn by just under £3,000. RBS has accepted the investigators' recommendations. I agree with the investigator that I don't think RBS made the position of his account sufficiently clear to Mr G. So, I think some compensation is appropriate. However, I can also see that Mr G received several letters from RBS's debt collections agents, which Mr G has said caused him stress and worry. So, I think RBS should pay an additional £100 compensation.

In summary, I said that to put things right The Royal Bank of Scotland Plc should do the following:

- *Write off the debt on Mr G's account*
- *Remove any missed payment marker from Mr G's credit file*
- *Remove any default that was registered from Mr G's credit file*
- *Pay Mr G a total of £250 compensation for the trouble and upset this matter has caused him*

Both Mr G and RBS agreed with my provisional decision.

Now both sides have had an opportunity to comment I can go ahead and issue my 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.

As neither party has provided anything new for me to consider, I see no reason to depart from my provisional findings. I remain of the view that this complaint should be upheld in part for the reasons set out in my provisional decision, which are repeated above and form part of this decision.

My final decision

For the reasons I've explained, my final decision is that I partly uphold this complaint. To put things right The Royal Bank of Scotland Plc should do the following;

- Write off the debt on Mr G's account
- Remove any missed payment markers from Mr G's credit file
- Remove any default that was registered from Mr G's credit file
- Pay Mr G a total of £250 compensation for the trouble and upset this matter has casued him

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 April 2024.

Sharon Kerrison
Ombudsman