

## The complaint

K is a company. It complains through its director, Mr S, that National Westminster Bank Plc closed its accounts and then delayed in transferring the funds held to their credit to K's new account with a different provider.

## What happened

K held a current account and a reserve account with NatWest. In November 2022 the bank gave notice that it would be closing K's accounts, giving it 60 days in which to make alternative banking arrangements.

K opened a new account with a different bank. Mr S expected the transfer to go ahead without further intervention under the current account switching scheme (CASS). However, he identified in early January 2023 that this had not happened. NatWest explained that it needed a separate transfer instruction (which it called a reclaim form) before it could make the transfer.

Mr S submitted a reclaim form on or about 9 January 2023, when he attended a bank branch.

Funds were not transferred, however, and Mr S chased NatWest on behalf of K. The bank said that there had been a problem with the form, although it did not initially say what the problem was. It later said however that the form had been lost; it invited Mr S to submit a fresh reclaim form. Mr S was reluctant to do so. He said the bank should have told him that CASS was not available, it was the bank's fault that the reclaim form had gone missing, and he asked NatWest to send a cheque instead.

NatWest would not send a cheque because of the sums involved – over £350,000. It explained that CASS was not available where, as in this case, a bank closes a customer's account. It continued to insist that Mr S submit a new reclaim form.

After several weeks Mr S did submit a new form, on or about 4 April 2023. But NatWest did not process it. It said that it needed Mr S to provide certified documents confirming his identity. Mr S said that he had already done that, in January 2023, and he saw no reason to do so again. In the event, the transfer was made on 27 July 2023. By that time, funds in the reserve account had been transferred to the current account, giving a combined balance of £354,058.03.

Mr S complained to this service about what had happened. He said that K had had to borrow funds when it was unable to access its money, and that NatWest should meet the costs of that – including valuation and arrangement fees.

One of our investigators considered what had happened. He recommended that NatWest pay interest on the funds that had been held by NatWest at a rate of 8% a year from 4 April 2023 to 27 July 2023 – that is, from the date the second reclaim form was submitted until the funds were released.

NatWest accepted the investigator's recommendation, but Mr S did not. He thought any resolution should take into account the actual costs to K of taking out a £500,000 loan. He asked that an ombudsman review the case.

I did that and issued a provisional decision, in which I said:

*I do not understand there to be any dispute about the bank's entitlement to close K's account on two months' notice. To the extent that there is, I am satisfied that the bank was within its rights to act as it did.*

*Mr S says that K should have been told that CASS was not available in the circumstances. I am afraid I don't agree. The closure letter didn't mention CASS at all, but it did say that any direct debits and standing orders would be cancelled. In my view, if any implication was to be drawn, it was that K would have to arrange for direct debits and standing orders to be switched manually, not that it would happen automatically.*

*I turn then to the delays in transferring funds. NatWest acknowledges that it was at least partly responsible for those delays. Had the first reclaim form been acted on, the transfer would have been made within around two weeks – that is, on or before 23 January 2023. In the event, it was completed on 27 July 2023. I believe that further delays were caused when, in April 2023, Mr S was told initially that the bank did not need to check up-to-date identification documents, but later that it did.*

*As a general principle, a complainant should not be able to recover losses which he could have taken reasonable steps to avoid. I have noted in this case that Mr S was reluctant to complete a second reclaim form and delayed doing so; arguably, he should have completed the form earlier than he did and, if he had done so, the money would have been released sooner than it was and K's losses would have been reduced accordingly.*

*However, even when Mr S did complete a replacement form, there were still delays, in part at least because of errors on the part of the bank. In the circumstances, I don't believe it would be fair to reduce K's compensation because of Mr S's relatively minor contribution to the delay; the primary cause of that delay was the bank's initial error.*

*Mr S has said that K had to take out a loan because it could not access its funds, and my award should cover the costs to K of doing so. Whilst I have no reason to doubt what Mr S says about this, I have not seen any evidence to support his submissions. And in any event, an interest award where a complainant is deprived of funds (as K was in this case) is intended, at least in part, to reflect the cost of borrowing – not a loss of savings interest. I will consider any further evidence which Mr S wants to provide on this point, but it is unlikely that I will change my view without it.*

*I agree therefore with the investigator that K should be paid interest on the funds which were held by NatWest, and that an appropriate rate is 8% a year. That is the rate generally applied to court judgments and broadly reflects the cost (in the form of borrowing) of being deprived of funds.*

*I have considered carefully therefore what period should be covered. As I have indicated, K was without funds (when they should have been available) from around 23 January until 27 July 2023. Whilst I acknowledge that Mr S probably could have taken steps to reduce the time that K was deprived of its money, it is by no means certain that it would have been shortened. I intend therefore to award interest for the period from 23 January to 27 July 2023.*

Neither the bank nor Mr S responded to my provisional decision by the deadline of 19 March 2024.

### **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 any further evidence or arguments for me to consider, I do not believe there is any good reason for me to reach a different conclusion from that set out in my provisional decision. I stress however that, in reaching that conclusion, I have considered the entire case file from the outset.

### **My final decision**

For these reasons, my final decision is that, to resolve K's complaint in full, National Westminster Bank Plc should pay it interest on £354,058.03 from 23 January 2023 until 27 July 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 17 April 2024.

Mike Ingram

**Ombudsman**