

The complaint

Mr and Mrs J have complained that it is unfair that National Westminster Bank Plc “NatWest” doesn’t pay credit interest on their fee-paying Premier Reward Black account.

What happened

Mr and Mrs J complained to NatWest and questioned how NatWest deemed it to be fair value that it doesn’t pay them any credit interest on their current account, even though the base rate is currently set at 5.25%.

NatWest issued its final response letter on 22 September 2023 and did not uphold the complaint. In summary, it said that it considers a range of different factors such as the benefits, price, costs and limitations to determine if its products deliver fair value for the target market. And based on its analysis of the Premier Reward Black account, it was satisfied that it provided fair value.

After Mr and Mrs J referred their complaint to this service, one of our senior investigators assessed the complaint and they were unable to say that NatWest had acted unfairly or unreasonably in not paying any credit interest on the Premier Reward Black account. Mr and Mrs J disagreed with the investigator’s assessment, so the matter was referred for an ombudsman’s 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.

Having considered everything, I agree with the outcome reached by the senior investigator for broadly the same reasons.

Is it unfair that NatWest doesn’t pay credit interest on its Premier Reward Black current account?

As the investigator explained, it is a legitimate exercise of NatWest’s commercial judgement to decide whether to pay its current account holders’ interest on any credit balance. So, from the outset, I would like to make it clear that this service is unable to compel NatWest to pay credit interest on Mr and Mrs J’s account. Our role as a service is to look at what’s fair and reasonable in the individual circumstances of a complaint.

Furthermore, it is the case that many current accounts don’t pay credit interest. This is fairly common for current accounts, essentially because current accounts are generally intended to be used to pay income in and to pay for bills and day-to-day expenditure - rather than as a place to ‘store’ money that may not immediately be needed. So I don’t think that it is unfair or particularly unusual that the Premier Reward Black account doesn’t pay credit interest.

To be eligible to have this account, Mr and Mrs J need to meet one of the following criteria:

- to have a sole income of £100k paid into the account; or
- to have £120k joint income paid into the account, or
- a minimum of £500K mortgage borrowing with NatWest; or
- a minimum of £100K savings or investments held with NatWest.

Mr and Mrs J say that because of the above eligibility criteria, they are required to deposit a large amount of money from their income into the account each year. They say that, given the amount that they pay into the account, it is unfair that NatWest doesn't pay any credit interest on their balance.

However, I don't find Mr and Mrs J's argument to be particularly persuasive. I say this because, although they are required to have a substantial income paid into the account (if they don't meet one of the other criteria) to remain eligible for the account, there is no obligation for them to keep the money in the account.

NatWest has said that if they wanted to earn credit interest on their money, they are free to open savings accounts, including instant access savings accounts, that do pay credit interest and transfer money from their current account to do so. So I don't think the fact that Mr and Mrs J's salary(s) being paid into the account means that NatWest is being unfair or unreasonable because it doesn't pay them credit interest on their current account balance.

NatWest's fair value assessment

Mr and Mrs J have said that since the Consumer Duty came into effect in July 2023, this required NatWest to ensure that their Premier Reward Black account provides good value for money. They say that the lack of credit interest therefore means that the account doesn't represent good value for money, since the Bank of England Base Rate was increased to 5.25%.

In response to this point, NatWest has said that it weighed up a number of factors such as: benefits, price, costs and limitations to determine if its products deliver fair value for the target market. And in particular, NatWest explains that the monthly account fee is actually for the range of insurance and non-insurance benefits that are included under the 'Black' package, rather than for the account itself.

NatWest says the Premier Reward Black account costs £31 per month, but provides preferential loan rates, worldwide family travel insurance, family mobile phone insurance, airport lounge access, UK and European breakdown cover, home emergency cover, 24/7 concierge service, discounts on tickets and the ability to earn up to £10 in cash back each month. So although I appreciate that Mr and Mrs J may feel that is a high price to pay for a bank account, it does seem to provide a number of benefits.

So when weighing everything up, I can't reasonably say that NatWest has acted unfairly or unreasonably in concluding that its Premier Reward Black account does represent fair value. I say this particularly because whether the current account provides credit interest or not is not linked to the monthly fee that Mr and Mrs J pay for the Black package on their account. I recognise that Mr and Mrs J may feel that the account doesn't provide fair value for their particular circumstances. Nevertheless, I should point out that the account needs to provide fair value for the target market. So, just because individual consumers may feel that it doesn't provide fair value for their individual circumstances, this doesn't necessarily mean that it must therefore be poor value for money for all account holders or the target market.

Based on what has been provided, it seems NatWest did take into account a number of factors - such as the benefits, price, costs and limitations of the account benefits when consider if it represented fair value. I also note that NatWest provide a range of options

under its Premier banking service, included a fee-free Premier Select option and the cheaper Premier Reward option – both of which don't provide insurance benefits. Therefore, if Mr and Mrs J feel that the Black package that they have added on their account is not right or poor value for money for their particular circumstances, NatWest says that they can downgrade to a cheaper Premier Reward or a free Premier Select account.

So taking everything into account, I'm unable to conclude that NatWest has acted unfairly or unreasonably because it doesn't pay credit interest on the Premier Reward Black account. I also can't reasonably say that NatWest has acted unfairly or unreasonably in concluding that its Premier Reward Black account does represent fair value for its target market.

My final decision

Because of the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 26 June 2024.

Thomas White
Ombudsman