

## **The complaint**

The trustees of a trust, which I'll refer to as T, complain that National Westminster Bank Plc closed the trust's current account without giving proper notice. They say that this has left them unable to access the trust's NatWest investment portfolio.

This complaint has been referred by one of the trustees, Mr B.

## **What happened**

T had a current account and has an investment portfolio with NatWest.

In 2022, one of the beneficiaries of the trust became entitled to their share and the trustees attempted to arrange the disbursement from the investment. The trustees then discovered that the current account had been closed by the bank.

NatWest's investments department said that it was their policy only to release trust funds to a trust current account.

NatWest initially said that they had written to Mr B four times, from January 2022 to June 2022. They said this was first to give notice of the closure of the trust account and then to send a cheque for the remaining balance of £932.42 on closure.

But NatWest had written to an old address in error, despite being informed of Mr B's change of address in 2015. They had also not in fact sent a cheque. They credited Mr B's personal account with £250 in compensation for the inconvenience caused by this error, but took no further action.

Mr B was unable to open a new trust bank account, because both trustees live overseas. He asked for our help in getting access to the trust's investment.

One of our investigators looked into what had happened. After our involvement, the bank paid Mr B the £932.42 balance in the trust's current account.

For some time, NatWest told us that they couldn't locate the funds that were invested. In February 2024, they located the funds, but said they could only release them if the trust obtained a new bank account with a different provider. The only other option was to use the trust's solicitors' or accountants' client account.

I issued a provisional decision upholding the complaint on 13 March 2024. In summary, I said:

- NatWest had acknowledged they had made an error in updating their records of the trustee's address. They had paid compensation of £250 for this. But they had, in my view, failed to deal with that error's knock-on effects.
- Because NatWest wrote to the wrong address, the trustees weren't aware that the bank had decided to close all trust bank accounts. The bank said that they gave six

months' notice of the closure, in line with (or in excess of) the requirements of the terms and conditions of the bank account. However, it was clear that they had not, in fact, give any notice to the trustees in this particular case.

- NatWest had also suggested that, had they sent their letters to the correct address, it was more likely than not that the trustees would have opened a new trust bank account elsewhere before the notice expired and therefore been able to pay the beneficiary without delay. I am not persuaded by this argument for several reasons.
- I was aware that it was increasingly difficult for trusts to open bank accounts, as NatWest are not the only bank to have withdrawn from the sector. In this case, the trust had two trustees, neither of whom resided in the UK, so it was even more difficult. The trustees had told me that those banks that they'd found that were still willing to open trust accounts required the trustees to be UK residents. I did not find this unlikely.
- Mr B had been quick to respond to our enquiries and was clearly and understandably keen to get this matter resolved. For this reason, I was satisfied that, had he been given the proper notice of closure in early 2022, he would have taken action. He would have established that he couldn't open a new trust account quickly. I thought it was more likely than not that he would then have transferred the funds out of the investment and disbursed them from the current account while the account still remained open.
- I didn't think it was reasonable to expect the trustees to use a solicitors' clients' account, given that this would be costly and this situation had only been created through the bank's error. I was also mindful of the fact that arranging this from overseas might not be straightforward.
- I was therefore minded to direct the bank to reopen the trust's bank account (or open it a new bank account). NatWest might at the same time give six months' notice to close this account.
- I was not persuaded that there could be no way of opening an account for the trust. I didn't think that this exceptional concession to resolve a specific error could reasonably be said to undermine the bank's commercial decision regarding trust accounts.
- If the final beneficiary was not yet entitled to the funds, then the trustees would need to find another solution for those funds in the interim, but NatWest need not keep the account open to accommodate this, as this problem would have existed anyway if NatWest had given notice to the correct address.
- If NatWest provided further evidence that satisfied me that reopening the account was impossible for any reason, then the bank must instead supply a suitably worded indemnity for the trustees to sign. This indemnity would confirm that they (the trustees) would deal with the proceeds of the trust's investment in accordance with the trust deed. NatWest would then need to release the funds from the investment to the bank account of Mr B's choice against this indemnity.
- As the funds had remained invested, the trust (and hence the beneficiaries) had not been deprived of any growth while this dispute had been ongoing.
- The bank had already paid £250 for their error, but I didn't think this was sufficient given the protracted nature of the delays. I was minded to direct the bank to pay an

additional £500 for these delays.

- The trust was also deprived of access to the balance on the current account from the date the account was closed until the date NatWest paid the funds to Mr B. I intended to direct the bank to pay interest at 8% simple on this balance.

Mr B accepted my provisional conclusions. He also informed me that the final beneficiary was now entitled to his share of the trust.

NatWest did not respond.

### **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.

In the absence of any new evidence or arguments, I haven't changed my provisional view. So I am upholding this complaint. In summary, my finding is that NatWest failed to give the trustees of T any notice of the impending closure of T's current account, because the bank failed to act on a change of address notification. As a result, the trustees have been left with no way of disbursing the trust's funds in accordance with the trust deed. I think it is only fair that NatWest should provide them with a means to do this.

NatWest have not provided any comments regarding reopening the bank account, although I am aware they have previously said that this was not an option. Whilst I appreciate that bank accounts are no longer offered to trusts by NatWest as a matter of policy, T's case is a temporary and exceptional one, caused by a bank error. I see no reason why the bank should be unable to follow my direction in this particular case.

### **Putting things right**

My aim here is to put the trust in as near as I can to the position it would be in were it not for NatWest's error.

I therefore direct the bank to reopen the trust's bank account (or open it a new bank account). NatWest may at the same time give six months' notice to close this account, as I consider that six months should give the trustees ample time to cash in the investment and transfer the funds to the beneficiaries.

If it does prove impossible (which I consider unlikely) for NatWest to open the trust a temporary bank account, then the bank may instead require the trustees to sign an indemnity to confirm that the trustees will deal with the proceeds of the trust's investment in accordance with the trust deed. NatWest must in that case provide suitable wording for that indemnity and on receipt of the indemnity and any form of instruction they require, cash in the portfolio and pay the proceeds into a bank account of Mr B's choosing.

I don't have the power to direct the bank to pay any compensation to the beneficiaries, who have faced delays in getting their inheritance. But I am able to award compensation for the undoubted distress and inconvenience incurred by the trustees. Given that Mr B has been proactive in trying to resolve things but there have been protracted delays, caused in my view by parts of the bank not communicating with each other, I am awarding £500 compensation to the trustees. This is in addition to the £250 already paid for the change of address error.

The trust was also deprived of access to the balance on the current account from the date

the account was closed until the date NatWest paid the funds to Mr B. The bank must pay interest at 8% simple on this balance for the period specified, as compensation for being without the use of those funds.

### **My final decision**

I uphold this complaint and direct National Westminster Bank Plc to open the trust a bank account for six months to enable the investment to be disbursed.

In addition to this, the bank should pay a further £500 for the distress and inconvenience caused to the trustees. And it should also pay interest at 8% simple on the bank account balance from the date the account was closed until the date the funds were paid to Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask the trustees to accept or reject my decision before 25 April 2024.

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Louise Bardell  
**Ombudsman**