

The complaint

P, a limited company, complain that National Westminster Bank Plc unreasonably closed their accounts and withheld the funds in them. They'd like to be compensated.

What happened

P held accounts with NatWest. But in September 2022 the director of P found that he couldn't use the accounts. When he contacted the bank, he was told that the accounts were being closed. He wasn't told when he could get access to the funds.

Unhappy with this P complained to NatWest. The bank responded to say they had sent a letter in July 2022 to say the accounts would be closed on or after 19 September. They declined to discuss the reasons for the closure, other than to say it was in line with their terms and conditions. They explained that the closure letter had explained it may take up to 60 days to release any remaining funds.

NatWest subsequently released a balance of £59,967.62 to P on 6 October 2022. They issued a cheque for the remaining balance of £1,459.09 in January 2023.

Dissatisfied with this P referred the complaint to our service, saying they had not received the notice to close, nor any phone call or email. They said the sudden closure had led them to incur a financial loss, and they had missed several regular payments. They said the delay in returning their funds wasn't acceptable.

Our investigator thought the complaint should succeed in part. They were satisfied that the closure notice had been sent and couldn't hold NatWest responsible if P hadn't received it. They thought the closure notice was in line with the terms, and there hadn't been an unreasonable delay in returning the remaining funds to P, as the closure notice had explained it may take up to 60 days. NatWest weren't under an obligation to explain to P why the account had been closed. But as NatWest also hadn't provided our service with these details, the investigator couldn't conclude this decision was fair and reasonable. On that basis they suggested NatWest pay P £200 compensation for the inconvenience caused.

This was accepted by NatWest. But P declined this outcome, saying it did not reflect the impact the closure had on the business. P didn't agree the funds had been returned in a timely fashion. As no agreement could be reached, the complaint was passed to me to decide. I requested further information about the rationale for closure from NatWest, and after receiving this issued my provisional decision which said:

Closure of the account

NatWest have a broad commercial discretion to decide who they want as their customers. This means they can carry out a review into a customer's account, and decide they no longer wish to provide banking services to them. It would be rare that our service would look to interfere with a decision to close an account unless there were very good reason for doing so. Instead, we'd look to see that the account was closed in line with the terms.

NatWest aren't under any specific obligation to P to explain why the accounts have been closed – and here they've declined to do so. They bank have now provided the reasoning to our service. As this is commercially sensitive information, I'm satisfied our rules allow us to treat it as confidential. So, I won't be able to detail it in full to P here. But I am satisfied that the reasons for closing the accounts aren't unfair or unreasonable. NatWest have made a legitimate commercial decision that they are entitled to make.

The terms of the account say NatWest can close an account for any reason, as long as they provide at least 60 days' notice. This is in line with the relevant regulations, and wider industry practice. It's considered a reasonable amount of time for the recipient to make alternative banking arrangements. The bank have shown our service the closure notice they sent, which is dated 21 July 2022, and confirms P's accounts will be closed on or after 19 September 2022. The notice is addressed to P's registered address. So, I'm satisfied that it's more likely than not that the notice was sent as per the terms, and NatWest have met their obligation to provide notice.

That said, I accept it's likely P didn't see this notice as there don't seem to have been any steps taken to mitigate the impending closure. I can't be sure why P didn't see the notice, but I'm not persuaded this was down to any error or mistake on NatWest's side. I've considered what they've said about not receiving a phone call or email to explain the closure, and I agree this would have been helpful in this instance. But the obligation on NatWest here is to provide the notice – which I'm satisfied they did by posting it – so they haven't been unreasonable in only doing this. The bank wouldn't have been aware P hadn't seen the notice, so I wouldn't necessarily expect them to take any further steps to make P aware of the closure.

I've no doubt the closure was disruptive to P's business. But as explained I'm satisfied the closure was fair, and I'm not minded that NatWest are responsible for any inconvenience that flows from P not seeing this notice.

Return of funds

Once the account was closed, I would expect NatWest to return any remaining funds to P as soon as possible. The closure notice advised that the bank could hold funds for up to 60 days – although I also note this doesn't appear to be in the terms of the account. I've seen nothing to suggest that NatWest needed to carry out further checks, or that there was any dispute over whether P was entitled to the funds. I can't see a reasonable justification for retaining the funds after the account was closed.

When considering the impact of this on P, the general approach of our service is that when a customer has been denied use of funds, they should have we would award 8% simple interest per annum on this amount. It's not possible to reconstruct every financial decision P would have made during this period, and it's likely there would have been some disruption to regular payments as the director hadn't seen the closure notice. The 8% interest award is therefore to reflect the overall loss of use of these funds for that period – it's also in line with what court generally award for debt judgements. So, in this case I'm satisfied that it's appropriate for NatWest to pay P interest for this period.

The bulk of P's funds - £59,945.49 – were held in a regular payment account at the point of closure, until they were transferred out on P's instruction on 6 October 2022. I'm satisfied that it's appropriate for NatWest to pay 8% simple interest on this amount from 20 September 2022 until 6 October 2022. But I note from the statement that account interest was credited to this account on 30 September and 4 October, so it's reasonable for NatWest to deduct any interest they've already paid for that period from the 8% interest award.

There was a smaller amount of £1,459.09 that was not returned to P until 10 January 2023 in the form of a cheque. NatWest should pay 8% interest on this amount from 20 September 2022 until the date of issue of the cheque.

I've considered the non-financial impact on P. A lot of what the director of P has highlighted I consider to be down to the closure itself. And as explained above, I see this was reasonable. But I also note he was in regular contact with NatWest and explaining the issue that not returning the funds was having on the business. And I think NatWest would likely be aware that the director was genuinely unaware the accounts were due to be closed. I'm minded that the unreasonable withholding of funds did cause P a degree of inconvenience, for which compensation is appropriate. I'm satisfied that in the circumstances £200 is a reasonable amount to reflect the impact of this.

I suggested to resolve the complaint NatWest should:

- Pay 8% simple interest per annum on the balance of £59,9945.49 for the period 20 September 2022 to 6 October 2022 – less any account interest already paid for this period
- Pay 8% simple interest per annum of the balance of £1,459.09 for the period 20 September 2022 to 10 January 2023
- Pay P £200 in compensation for the inconvenience caused

P disagreed with this decision – saying that the closure was a huge step and confirmation of the receipt of the notice should have been asked for, and that the notice should have been sent by recorded delivery. P said the impact on the business was far more in financial terms than what was suggested.

NatWest disagreed with the interest awarded, saying their closure letter had given them 28 days to return any funds. The letter also mentioned that balances above £20,000 would need to be returned by cheque, or through the reclaim pack. They said the account with the higher balance had been returned within that time limit.

They accepted there was a delay to the return of the funds from the account with the smaller balance and agreed to pay interest on this less the 28 days. NatWest agreed with the £200 compensation award.

It now falls on me to consider the evidence 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.

Having done so I remain satisfied with the conclusions reached in the provisional decision.

I remain satisfied that the decision to close P's accounts was reasonable – this was a legitimate commercial decision that NatWest were entitled to make, although they are under no obligation to explain these reasons to P.

I'm satisfied that the correct closure notice was sent as per the terms of the account. I've considered what P has said about not receiving the notice, and whether NatWest should have sought confirmation the notice was received and understood. I agree this would have been helpful, but I'm also mindful that this is not an obligation that NatWest have. I accept not all post reaches its destination. But the vast majority of correctly addressed post reaches

the correct address. So, it wouldn't be reasonable for me to suggest that NatWest would need to have sent the closure notice by registered post or followed up on it.

Regarding the return of the remaining funds – I remain satisfied that these should have been returned to P at the point of closure. NatWest have argued that the specific closure of the account with the larger balance was on 6 October, and funds returned the same day. But the functionality of this account had already been removed by 20 September – P was unable to use it to make payments. This ties in with the closure notice. So, I do not agree with NatWest on this point – the account had stopped by 20 September, and in practice this is when the account closed, even if the technical closure was later.

I've considered what the closure notice says about it may take up to 28 days to release funds. Although I'm minded this is a time limit NatWest have given themselves – there's nothing about this limit within the terms of the account, so was not something agreed with P. It's also not a requirement or expectation in any regulations or legislation that I am aware of. I've seen nothing to suggest NatWest required further time to carry out any specific checks on P's account after closure, which may reasonably justify withholding funds after closure. I cannot see this was appropriate in the circumstances, and I'm satisfied it was unreasonable for NatWest to do so.

NatWest have said the delay in releasing the funds in the account with the smaller balance was because of the complex lending products P had. But this could have been anticipated at the point the closure notice was issued. The 60 days' notice provides time for the customer to make alternative banking arrangements, but also provides the bank with time to consider what arrangements they will need to make. I can't see this as a reasonable justification for withholding P's funds when it could have been anticipated much earlier.

I remain satisfied that's its appropriate for NatWest to pay 8% simple interest per annum on these funds – less any interest that's already been awarded – to reflect the loss of use of these funds. I'm also satisfied that £200 is an appropriate level of compensation to reflect the inconvenience caused to P.

Putting things right

To resolve this complaint, NatWest must:

- Pay 8% simple interest per annum on the balance of £59,9945.49 for the period 20 September 2022 to 6 October 2022 – less any account interest already paid for this period
- Pay 8% simple interest per annum of the balance of £1,459.09 for the period 20 September 2022 to 10 January 2023
- Pay P £200 in compensation for the inconvenience caused

My final decision

My final decision is that I uphold this complaint and direct National Westminster Bank Plc to resolve it as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 10 June 2024.

Thom Bennett
Ombudsman