

The complaint

Mr O complains that The Royal Bank of Scotland Plc closed his personal bank accounts without notice or explanation. He said that left one of his accounts in debit without any ability to repay it – meaning the account was showing in default on his credit file.

To resolve his complaint, Mr O asked for an explanation as to why his accounts had been closed, a refund of any funds left in the accounts, and to be allowed to arrange repayment of the overdrawn account.

What happened

Mr O told us:

- In 2020 he was an existing customer of RBS. He received a text from the bank telling him that his accounts had been closed. He initially thought the text was a scam, but tried to get in touch with RBS once he realised he couldn't access his accounts.
- It took him several hours to get through to the right department at the bank, but he was still not told why his accounts had been closed. The bank's staff pointed him to the accounts' terms and conditions, but that did not answer his question. His assumption is that the bank may have closed his personal accounts because he was using them for business purposes, but he did that as a sole trader and he believes that is allowed.
- He has not done anything wrong. He thought the bank had to give him 30 to 60 days' notice before it closed his accounts, but the bank did not do that. If the bank thought that fraud had taken place, then it should have investigated and asked him what happened. He believes the bank may have used an automated system and set certain triggers, meaning that what happened to him could happen to anyone.

RBS told us that it investigated Mr O's complaint thoroughly, and it is satisfied that its decision to close Mr O's accounts was the correct one. It provided supporting evidence, and asked us to treat that information in confidence. (Our rules allow us to accept such evidence where we consider it appropriate to do so.)

One of our investigators looked at this complaint, and upheld it in part. Briefly, she said:

- RBS doesn't have to tell Mr O why it decided to close his accounts. But based on the additional information the bank shared with our service, she was satisfied the bank's actions in closing the accounts were reasonable, and that it had reached its decisions legitimately and fairly.
- She didn't think RBS acted unreasonably by setting off any credit balances against the debt Mr O owed to the bank. Overall, there was no credit balance left to be refunded to Mr O.
- However, she thought RBS should have done more to help Mr O when he tried to

repay his overdraft. Her view was that Mr O would have repaid the debt at around the time the account closed if RBS had made it easy for him to do so. She therefore recommended that RBS give Mr O the information he needed to repay his overdraft, remove the default entered on his credit file once he did so, and pay him £150 to compensate him for the difficulty he experienced in trying to arrange payment of the overdraft.

RBS accepted our investigator's recommendations. The bank provided a telephone number for Mr O to call to repay his overdraft. It agreed that it would arrange for the associated default to be removed from Mr O's credit file once the overdraft had been repaid. It was also prepared to pay Mr O £150.

Mr O did not accept her recommendations. He said he wanted RBS to correct his credit file before he made any payments to the bank, and he was concerned that our investigator hadn't given a timespan. He also wanted to know why his accounts had been closed. He said he didn't need a "deep dive", but he did want a reason.

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, whilst I'm sorry to further disappoint Mr O there is very little I can add to what our investigator has already said.

RBS has a wide range of legal obligations that it must meet when providing account services to its customers. These obligations are ongoing, so don't just apply at account opening stage. To comply with these obligations, RBS may need to review accounts and the activity taking place on them. Sometimes those reviews will lead to accounts being closed. If RBS doesn't do this, it could risk serious sanctions.

However, if a bank does choose to close an account, it should do so for legitimate and fair reasons. Taking this into account, and reviewing the information RBS has provided, I'm satisfied it was entitled to close Mr O's accounts and to do so without notice. I know this has caused Mr O inconvenience, but RBS has discretion to offer accounts to who it wishes, just as Mr O can choose who he wishes to bank with.

RBS isn't under any obligation to tell a customer why it has closed their accounts. This information is often commercially sensitive. So it wouldn't be appropriate for me to require RBS to give Mr O an explanation, nor would it be appropriate for me to provide that information myself. But I can assure Mr O that I've considered everything.

Whilst I don't think RBS was wrong to close Mr O's accounts, I agree with our investigator that it should have done more to help him when he tried to repay his overdraft.

Putting things right

I think our investigator was right to say that Mr O would have repaid his overdraft at around the time his account was closed if RBS had made it easy for him to do so. RBS has since provided Mr O with a telephone number for him to call to arrange payment, and I'm satisfied that the bank is no longer obstructing Mr O in any way. It is now up to Mr O to repay the debt.

I know Mr O would like the default to be removed from his credit file before he repays his overdraft, but I don't think that would be fair. As things stand, Mr O has not in fact repaid the

overdraft, and so I think it is appropriate that his credit file reflects that. However, RBS has agreed to remove the default and its history once Mr O has repaid the debt, and I think that is reasonable. To reassure both parties about timescales, I consider that if Mr O repays the overdraft within four weeks of accepting my decision, RBS should then update the relevant credit file agencies within four weeks of Mr O's payment. In addition, RBS should pay Mr O £150 to compensate him for the inconvenience this issue has caused.

My final decision

My final decision is that I uphold this complaint in part. I consider that The Royal Bank of Scotland Plc was entitled to close Mr O's bank accounts, but it did not treat Mr O fairly in respect of his attempts to repay his overdraft. RBS should compensate Mr O as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 4 September 2024.

Laura Colman
Ombudsman