

The complaint

Mrs W complains that The Royal Bank of Scotland Plc (RBS) blocked access to her account in 2022.

What happened

Mrs W had an account with RBS. She planned to buy a property abroad. She found a property and agreed to buy it. The property cost USD270,000, including a deposit of USD10,000. Mrs W paid the deposit – and agreed to pay the balance in May 2022.

But Mrs W subsequently had difficulties arranging to pay the balance. She says she contacted RBS a number of times, but RBS didn't release the funds. The vendor of the property agreed to extend the deadline to the end of May, and Mrs W returned to the UK. Mrs W says she continued to contact RBS, but they weren't able to help. The vendor agreed a final extension of 10 days, to 10 June 2022. The vendor said that if the transaction didn't complete by then, the property would be put back on the market. Mrs W continued to contact RBS. She also arranged for legal representatives to contact RBS. But as Mrs W couldn't make the payment before the final deadline, the property was put back on the market and sold to someone else.

Then, on 13 June 2022, RBS unblocked Mrs W's account. On 16 June Mrs W withdrew the remaining funds. On 1 July 2022, RBS decided to close Mrs W's account.

Mrs W says RBS treated her unfairly – and that she's suffered financial loss and distress and inconvenience as a result.

I issued provisional findings on this complaint on 6 June 2024. In my provisional decision I said:

“RBS, like all financial businesses, are subject to important legal and regulatory requirements. This means it may need to monitor transactions into and out of an account, and may need to carry out a review at any time. This may involve restricting access to the account. And where RBS does this it doesn't need to give reasons.

“This is reflected in the terms and conditions that applied to Mrs W's account which said that RBS may refuse to act on her instructions or limit use of the account in specific circumstances. The terms and conditions also allow RBS to close an account provided it gives Mrs W at least 60 days' notice. In some cases it can close the account immediately. Here RBS gave Mrs W 60 days – though Mrs W had by that time already transferred her funds elsewhere.

“Based on what I've seen, I'm satisfied that RBS was acting in line with its legal and regulatory obligations when it reviewed and blocked Mrs W's account. And I cannot conclude it was unfair of RBS to have ultimately closed the account.

“That said, and given the potential impact of such a review, I'd expect RBS to complete it in a timely manner.

“Based on what I’ve seen, Mrs W agreed the purchase in late April 2022, with a closure date of 20 May 2002. Although her representatives say she was contacting RBS throughout the whole of this period, the contact notes provided by RBS suggest Mrs W sent it a CHAPS instruction by fax on 9 May – and sent this again on 10 May which RBS confirms it received. This is consistent with a subsequent email, on 14 May, in which Mrs W’s relative said they’d “been on the phone for five days trying to see what is what”, and information from the property broker, who said it wasn’t until a week before the schedule closing date that Mrs W contacted her financial institution to arrange for funds to be wired for closing.

“RBS, however, didn’t release the funds until 12 June. RBS hasn’t provided a satisfactory explanation for this delay – based on what I’ve seen, it appears RBS told Mrs W she’d need to contact her relationship manager. But Mrs W says that when she got through to the relevant individual, she was told he had nothing to do with her payment. The contact notes suggest RBS itself had difficulties getting a reply from the relevant manager. On 18 May, Mrs W concluded she wasn’t getting anywhere over the phone and arranged to return to the UK on the 23 May. She then contacted RBS, and visited branch, a number of times before the funds were released. In the meantime she’d extended the deadline to close the property transaction twice – and lost the property on 10 June.

“Looking at everything, I think RBS ought to have completed the review sooner. There’s a period of at least two weeks where it appears RBS was waiting for the relationship manager to do something. And it appears for at least some of that period RBS knew why Mrs W needed to pay the funds. If things had happened as they should, I find it most likely Mrs W would have gained access to the funds in time to complete the property transaction.

“I’ve therefore gone on to consider what RBS needs to do to put things right. Where I uphold a complaint, the compensation I’d award is intended to put the complainant as far as possible in the position they’d be in if things had happened as they should have done.

“That said, I can only award compensation to the complainant. I cannot compensate Mrs W for losses suffered by third parties. I note that Mrs W was purchasing the property jointly with her daughter – and they travelled abroad together. I can only consider the impact RBS’s actions had on Mrs W, not her daughter. This means I cannot compensate Mrs W for her daughter’s international phone bill.

“I’d also need to be satisfied that these losses were caused by RBS. In this case, it appears that some of these costs would have been incurred in any event. I’m mindful that Mrs W spent a number of weeks abroad before she agreed to purchase the property. It was always possible that she either wouldn’t find a suitable property or the transaction would fail for other reasons.

“I’ve also concluded that RBS was entitled to restrict and review the account. It is not uncommon or wrong for financial institutions to question very large overseas payments. In my experience, there was always a real prospect that the payment might be delayed for further checks.

“I’ve first considered financial losses.

“I’m satisfied that Mrs W wouldn’t have lost the deposit had RBS completed the review sooner. So I think Mrs W should get this back. Based on what I’ve seen, at the time Mrs W paid this deposit, this was equivalent to £8,198.74.

“Mrs W says that as a result of the failed property transaction, she’s lost the property, which she reckons has increased in value by £30,000. I’ve thought about this. Any additional equity would only crystallise if Mrs W subsequently sold or mortgaged the property. Although Mrs W has lost the property, this does mean she still has the funds – which she could have used to purchase a different property or invested elsewhere. But Mrs W has been deprived of the value of the deposit. So I instead propose to award simple interest – the rate is 8% simple per year – on the £8,198.74 deposit from the 10 June 2022 (when the property transaction should have completed) until the date Mrs W gets it back.

“Finally I’ve considered Mrs W’s travel and transport costs. For the reasons I’ve given, I’m only compensating Mrs W for the losses caused by the delay in releasing the funds. Mrs W was already overseas when she contacted RBS to make the CHAPS payment – so she would always have incurred the cost of travel and accommodation during this period. I note Mrs W’s representatives say that she missed her initial flight back to the UK on 8 May due to the continued delays caused by RBS in transferring her funds. The records from RBS, however, suggest Mrs W instead faxed the CHAPS transaction on 9 May – which is consistent with the other records Mrs W has sent me. Given Mrs W had by this point agreed a property purchase with a closing date of 20 May, it seems more likely she remained overseas to allow the transaction to complete. I accept that once she realised that the funds wouldn’t be released Mrs W then had to pay to return to the UK. But given RBS’s legal and regulatory obligations, I can’t say its most likely that the funds would have been released or that RBS would have been in a position to give Mrs W a useful update before she decided to return.

“I can, however, award compensation for the distress, inconvenience and suffering RBS’s actions caused. While I accept that Mrs W would have incurred some of the costs she’s mentioned in any event, I also think it would have been very distressing for Mrs W to have lost this property. I think repeatedly approaching the deadline only for the transaction to fail would have been extremely stressful. I also note that Mrs W says this had an impact on her health – and that a pre-existing condition flared up and that she suffered anxiety and stress.

“Thinking about all of this, I propose that RBS also pay Mrs W £1,000 for the distress and anxiety this all caused.”

I said I’d consider any further comments I received before 4 July 2024. RBS replied to say it agreed with our provisional decision. Mrs W has also accepted my findings and her representatives have asked what steps they need to take to ensure the decision is paid. To bring finality, I’ve reviewed the complaint afresh, and made a 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.

Both RBS and Mrs W have agreed with my provisional findings. Neither have sent me anything new to consider. I therefore reach the same conclusions as my provisional decision for the same reasons.

Putting things right

For the reasons above and in my provisional decision, The Royal Bank of Scotland Plc should pay Mrs W:

- £8,198.74, the value of the deposit she paid
- simple interest (the rate is 8% a year) on this amount from 10 June 2022 until the date Mrs W gets this amount back
- £1,000 to reflect the stress this all caused

If HM Revenue & Customs requires RBS to deduct income tax from that interest, it should tell Mrs W how much it's taken off. It should also give Mrs W a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above and in my provisional decision, I uphold Mrs W's complaint. The Royal Bank of Scotland Plc should put things right by paying what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 16 August 2024.

Rebecca Hardman
Ombudsman