

The complaint

The Insolvency Practitioner complains on behalf of Mr H's business, O, that National Westminster Bank Plc made an error causing its business account to be restricted. Mr H said this prevented it from trading during a busy part of its year. O requested NatWest pay compensation for ruining its business. Although the complaint has been taken over by the Insolvency Practitioner, I have just referred to Mr H as the complainant in this decision.

What happened

In September 2022 O's business overdraft was reviewed by NatWest as it was due to expire. Mr H sent documents at NatWest's request for renewal, but when he called NatWest told him it hadn't received anything. Mr H said NatWest had been sending correspondence to the wrong address and using the wrong email address, even after he called to update them.

NatWest said it emailed Mr H an income and expenditure form on 24 October 2022 as part of the renewal process for O's overdraft limit. This was returned on 7 November and on 14 November NatWest called to discuss the form and advised Mr H to provide a new one as the financial projections covered only four months instead of twelve. NatWest said it received the amended form on 27 November 2022, with the financial projections, but these were unclear.

Mr H said he re-sent the requested documents and asked NatWest to contact him if it needed anything further. Mr H said when he called for an update NatWest again said it had not received anything. Mr H said he's raised six or seven previous complaints that have been upheld, but the compensation doesn't cover his loss of earnings from NatWest's errors.

Mr H complained to NatWest saying he'd sent an amended income and expenditure form, but got no response, which led to NatWest's formal demand, restriction of O's account and debt recovery letter. NatWest said its complaint handler was advised to ask Mr H to send a new form, to be followed by a call to discuss the renewal of O's overdraft. However, contact wasn't made, and O's accounts were transferred to NatWest's Recoveries Department on 24 March 2023. NatWest apologised and offered a total of £475 for the distress and inconvenience caused. NatWest also offered to reimburse any costs incurred by O.

NatWest said O's accounts were transferred to its Recoveries Department after the previous complaints had been responded to. NatWest said it had followed the right process, and O's accounts are managed by its Recoveries Team, who could advise Mr H on the next steps regarding account reinstatement and renewal of the overdraft. NatWest said there was a shortfall on O's repayment of its Bounceback Loan for November 2022.

NatWest wrote to Mr H in March 2023 when the overdraft exceeded its limit and notified him of the restrictions to outgoing payments. NatWest said that once the restriction had expired, the accounts defaulted, and this is why the accounts were non-operational. NatWest said the accounts were then reinstated in response to O's further complaint pending its decline of O's application for borrowing in September 2023.

Mr H said he has waited 13 months for an answer to NatWest's review about O, to be told it wouldn't renew O's overdraft and he would need to pay the remaining balances. Mr H said as a consequence he wound up O after 18 years without any trouble. He said the ideal resolution to his complaint is for the outstanding amount of the overdrafts to be voided. Mr H referred O's complaint to our service.

Our investigator said NatWest restricted O's account for nine weeks in error as it failed to request an income and expenditure form to renew the overdraft, and the account went to recoveries. He thought NatWest's compensation of £475 was fair as O was near its overdraft limit and couldn't trade effectively, and so the restriction had limited financial impact.

Mr H disagreed and asked for an ombudsman review O's complaint. He said the investigator hadn't appreciated the problems, or the distinction between an overdraft facility being withdrawn and the closure of a bank account with debt collection and an inability to sell stock. He said this caused O to close and seriously affected his mental and physical health.

Mr H said the investigator incorrectly took a snapshot and decided O was in a poor position, whereas it was fine, had survived lockdown and repaid half its Bounceback Loan, and would still be trading if NatWest hadn't treated it so badly. Mr H was angry the investigator thought £475 fair compensation for stopping O trading. He said it's insulting for a lifetime's work and NatWest should at least write-off the outstanding overdraft. He said he can't allow NatWest to bully a small business when it's taken thousands of pounds in fees over the years.

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.

Mr H said O's complaint is not about renewing the overdraft it is about closing O's account twice. He said NatWest created serious uncertainty for O from the end of August 2022 up to its decision to close the business a year later, and at no time has it taken any responsibility apart from 'insulting' compensation. He wanted O's account reinstated with the overdraft.

Mr H understands NatWest is '*able to refuse the overdraft but that was all*'. I was sorry to see that the relationship between Mr H and NatWest deteriorated and sorry to learn about the consequences for Mr H's business and on him personally. From the timeline of events I can see that O's account wasn't restricted during an ongoing complaint as Mr H had suggested, and NatWest had responded to O's previous complaints. Mr H complained previously about calls from a debt collection agent and NatWest paid O compensation.

We will look at a decision to close an account to see if a bank has treated its customer in accordance with the terms and conditions, and to see if it has acted fairly. NatWest's terms and conditions permit the bank to review an account and an overdraft facility to see if it wishes to maintain these.

A bank is also generally entitled to close or restrict an account providing this action is in line with the terms and conditions. In this instance the terms of O's accounts state that in certain circumstances NatWest can decide whether to offer and maintain banking facilities to customers and on what basis. NatWest didn't close O's accounts but placed them on to restricted access. From what I have seen NatWest provided notice of this to Mr H in accordance with the terms and conditions of the account.

I'm pleased that NatWest acknowledged and apologised for its error in dealing with the potential renewal of O's overdraft facility. I hope that NatWest sees this complaint as an opportunity to review this part of its approach to businesses. I have looked at the nature of NatWest's error and the implications for O to see whether NatWest has treated O fairly. I've taken into account the relevant rules and guidelines along with good industry practice.

When NatWest failed to request clearer income and expenditure information as a consequence of O's amended, but unclear form of 27 November 2022, it made a formal demand for repayment of its loan on 15 March 2023. On 24 March NatWest transferred O's account to its Recoveries Department with a restriction.

I can see that NatWest acknowledged its error and advised Mr H on 10 May 2023 to contact its Recoveries Department about the restoration of O's accounts. O's account was reopened on 1 June 2023 with a temporary overdraft of £30,000 in line with the previous limit.

I can see that in September 2023 Mr H provided the financial information NatWest required and requested a loan, but he had not done so in respect of NatWest's requests for the previous year. NatWest declined to permanently restore borrowing to O as it decided that O could not '*evidence that the business can afford a repayment plan*'. It appears that O became insolvent following this decision. Although the overdraft restriction and decline to give further borrowing to O will have affected its ability to trade, NatWest was entitled to reach these decisions based on its assessment of O's ability to afford the repayments.

Our investigator thought that O's bank statements showed it had been operating for months very close to its overdraft limit, which affected its ability to continue trading regardless of NatWest's failure to make a further request for the income and expenditure information it required. The investigator pointed to the fact that when NatWest restricted O's account its overdraft was only £300 below the limit of £30,000 and with no significant income thereafter.

But Mr H said the restrictions on the account stopped O from trading for a several weeks which caused it to close. Mr H said there was hardly any trading in 2023 as he was waiting for NatWest to renew the overdraft before he decided what to do next. He said to trade he would have had to put money into the account he couldn't use.

I can see that NatWest's account restrictions meant that O's accounts became non-operational and so I agree with Mr H to that extent. But if he had available funds he could have used these before the account was restricted to improve O's trading position and encourage NatWest to consider the business to be solvent.

Mr H said if O's account had been reinstated in August/September 2022 O could have bought and sold in the normal fashion. But NatWest didn't receive O's financial projections until the end of November 2022, and these were unclear.

NatWest's error in not requesting clearer details about O doesn't affect its assessment of O's viability or the criteria it applies to requests for further borrowing from its customers. From O's bank statements it was operating throughout the period of NatWest's review at around its overdraft limit of £30,000, and with an outstanding Bounceback Loan of about £15,000. O's annual profit from accounts for year ending 2021 was less than £6,000. From the income and expenditure information, I can see why O's debt situation appeared to NatWest to be unsustainable.

I can see no reason for NatWest to have reached a different decision on O's borrowing had it obtained O's financial information when first requested in September 2022 or when it failed to request clearer details. Had NatWest received the information earlier I think it likely to have recalled O's borrowing at that point. The amount of O's borrowing meant there was a lack of available funds, and the later restriction of O's account doesn't appear to have had a significant impact on O's financial situation, or its ability to continue in operation.

Although a business can't experience upset it can be inconvenienced, and NatWest has apologised for the inconvenience it caused. I can see the disruption to O's business from the restriction of its accounts and poor communications but, as I have said, I haven't seen anything to suggest that the overall outcome for O would have been different with better service. In that respect I think NatWest's payment of £475 compensation (as shown on O's statements) is fair and reasonable for having to deal with the problems it caused. I am pleased that NatWest has offered to pay any out-of-pocket expenses incurred by O in connection with its complaints.

In conclusion, from the timeline of events and NatWest's handling of O's account, I agree with the investigator that it's not at all clear that NatWest caused O to lose trading or to fail. Because the complaint is brought on behalf of O as a business I cannot consider any personal impact from the events on Mr H, though I sympathise with him for what he has been through with his business.

My final decision

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask the Insolvency Practitioner on behalf of O to accept or reject my decision before 26 November 2024.

Andrew Fraser
Ombudsman