

The complaint

A has complained that National Westminster Bank Plc (“NatWest”) closed its account.

What happened

Previously, NatWest had blocked A’s account as NatWest had entered the wrong entity when recording the details of the shareholders of A. NatWest had also refused A’s cheques to be paid as it had not uploaded the director of A’s signature to its records.

A referred that complaint to this service and on 19 May 2023, one of our investigators upheld the complaint.

In their assessment of the complaint, they said it was not in dispute that NatWest had made an error by stating that the wrong entity was a shareholder of A. The investigator said that it appeared that NatWest had uploaded the director of A’s signature. The investigator acknowledged that A had not been able to access its account due to the information needed by NatWest, but it appeared that this had since been provided. The investigator also said that if NatWest needed more information, then it needed to make it clear to A what exactly it needs to do to remove the block.

However, the investigator concluded that if NatWest requested further information and the information NatWest needed was not provided, then the block on the account could remain in place. Due to the inconvenience caused to A, the investigator recommended that NatWest pay A a further £300 – to bring the compensation up to £500 in total.

Whilst that complaint was being looked into by this service, NatWest took the decision to close A’s account.

Unhappy that its account had been closed, A submitted another complaint to NatWest. NatWest issued its final response to the follow up complaint on 1 July 2023.

In its response to the complaint, NatWest said that following the completion of A’s previous complaint, A had not been in contact to provide the necessary information about its shareholder. Due to the amount of time it had waited for the information, NatWest explained that it had taken the decision to close A’s account. NatWest explained that it had sent A a letter on 9 March 2023 to say that it would be closing the account in 60 days. NatWest also explained that it had sent A a cheque with the closing balance of the account, and explained what information needed to be provided with its reclaim form.

A director of A responded to NatWest and said that NatWest was wrong. He said that A had provided the necessary documents to NatWest. However, NatWest responded and said that it had confirmed on 22 July 2022 that the error had been fixed i.e. the name of the correct corporate shareholder had been updated, but it still needed documents to verify who the ultimate beneficial owners of that corporate shareholder were and as it had still not received that information, it had decided to close A’s account.

Unhappy with NatWest’s response, A referred the complaint to this service.

One of our investigators assessed the complaint and they did not uphold the complaint. They said that NatWest had provided evidence to show that it had repeatedly asked A to provide the evidence needed and that NatWest didn't receive the information it had requested from A. So they concluded that NatWest's decision to close the account was reasonable in the circumstances.

A disagreed with the investigator's findings, and so the matter was referred for an ombudsman's decision.

I issued a provisional decision, explaining why I was minded to uphold the complaint in part. I have included an extract of my provisional decision below, and it forms a part of this decision.

"What I've provisionally 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 reviewed everything provided by all sides, I'm currently minded to uphold this complaint. I will explain why.

I can see that in A's previous complaint, A's account was blocked because NatWest had added the wrong details when recording A's shareholder on its systems. However, in resolving that complaint the investigator said that it appeared that NatWest had all the information it needed, but importantly, the investigator also added that if NatWest needed more information from A, then NatWest needed to clearly explain to A what exactly it needed. The investigator also said that if the necessary information was not provided, then it was fair for NatWest to retain the block on the account.

Therefore, in this decision, I'm limited to considering NatWest's actions in deciding to close the account, following the investigator's conclusions in the previous complaint.

After the investigator had issued their assessment on the complaint, I think it's fair to say that A was expecting NatWest to get in contact to explain what more information (if any) it needed to complete its Know Your Customer (KYC) check. But from what I can see, NatWest didn't contact A and instead closed its account a short while later. So in the circumstances I can fully appreciate why A raised this secondary complaint. Indeed, if NatWest wasn't willing to contact A again to explain what information it needed to complete its KYC checks, then I question why it accepted the investigator's recommendations on the previous complaint. The fact that NatWest didn't do this makes me think that NatWest was not fully aware of what it had actually agreed to, when it told this service that it accepted the investigator's assessment on the previous complaint.

Having reviewed everything, from what I can make out, NatWest proceeded to close A's account because it said that A had not provided the requested information it needed to complete its KYC checks, and because it had already issued a notice to close letter.

In my view this was unreasonable. Because even if NatWest still wanted the details of the previous overseas corporate shareholder (even though it was no longer a shareholder by that stage), as per the investigator's recommendations, NatWest should've asked A for this first.

However, although A has explained that the company that NatWest wanted information on was no longer a shareholder of A, I don't think it was unreasonable if NatWest still wanted that information, given that it had only just been removed as a shareholder (and it had been a shareholder when it first asked for that information). And ultimately NatWest was entitled to decide to end its banking relationship with A, if it was unhappy with the information it was being provided with in its KYC checks.

Therefore, even if NatWest had gone back to A for more information (after it accepted the investigator's assessment on the previous complaint) and A had provided that information, it seems that NatWest had already decided to end its banking relationship with A.

So, had things gone as they should've, I think it's likely that A's account would've still been closed by NatWest after it'd accepted the investigator's assessment on the previous complaint. But I think NatWest should've given A more time, or at least given some warning to A that it was still planning on closing A's account, following its acceptance of the investigator's assessment.

I note that to resolve this complaint, A has asked that NatWest reinstate its account. However, a bank has commercial discretion to decide who its customers are. Just as much as A can choose who to bank with. And in this case it's clear that NatWest decided to end its banking relationship with A because it wanted information about its (former) overseas shareholder, which I can't see that it received. Instead, it seems that A had simply informed NatWest that the overseas corporate shareholder was no longer a shareholder.

Therefore, I can't reasonably say that NatWest must retain A as a customer by saying that it must reinstate A's account, even if the circumstances surrounding the closure did not go as I think they should've.

But that being said, I do think that NatWest's failure to adhere to the investigator's recommendations (which it had agreed to) and its decision to close A's account so soon after was unreasonable. From reading the investigator's assessment on the prior complaint, I think it's fair to say that A had a reasonable expectation (when it was informed that NatWest had accepted the assessment) that its account would not be closed, despite the prior notice to close letter being issued and that, at most, NatWest may get in contact again to ask for further information about its previous shareholder. As a result of A's account being closed without any further warning, in my view, A was not given a reasonable amount of time in which to make alternative arrangements for an account to be opened elsewhere, following the resolution of its previous complaint.

Putting things right

So based on what I have seen so far, I'm currently minded to say that NatWest's failure to reach out to A, following its agreement to do so when it accepted the investigator's conclusion on the previous complaint, was unreasonable. And I think that NatWest should've given some warning to A, after accepting the investigator's assessment, that it was still intending on closing A's account.

I recognise that no longer having a business account would've had an impact on A. So I think it is appropriate that NatWest pay A £300 compensation to reflect the added inconvenience that this matter have no doubt caused A."

After I issued my provisional decision, both NatWest and A responded.

In summary, NatWest explained that A's account had been closed before the investigator had issued their assessment on A's prior complaint. So says that there was not much more that NatWest could've done by that stage. NatWest also said that it had made it clear to A before that point what information it needed from A, so it couldn't see what else it could've done.

A also responded and acknowledged that I had upheld the complaint, in part, but then questioned why I had not directed NatWest to reopen its account. A says that not reinstating the account is penalising A for NatWest's error – which is contrary to the FCA's principles that financial businesses should follow. A says that the issue came about due to NatWest's error in misidentifying one of its shareholders. A questions how a phone call that the director of A had with NatWest – where NatWest acknowledge it made a mistake in misidentifying its shareholder – is not available. A says that we should push NatWest to provide the call recording.

A says that the information regarding the corporate shareholder was already held by NatWest from before, so says its reasons for closing the account was an attempt to justify a series of errors. In summary, A requested that we direct NatWest to reinstate its account as it says that its closure has caused reputational harm.

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 reconsidered everything, my thoughts on this case remain the same.

Firstly, I note that many of the issues and points that A has referred to in its response relate to NatWest's KYC information requests and why that information was being requested in the first place. For example, A explains that it was being asked information about an overseas corporate shareholder, because NatWest had incorrectly entered the details of another company that shares a similar name. However, I need to point out that A's concerns surrounding the KYC checks and the information being requested were the subject of a previous complaint. Therefore, as much as A may want me to, I can't revisit those issues in this decision. This decision focuses solely on NatWest's decision to close A's account.

In my provisional decision, I explained that in A's previous complaint, the investigator had concluded that NatWest should have everything it needed to complete its KYC check, but if it didn't then NatWest should clearly explain what information A needed to provide to do so. And NatWest accepted this. In its response to the provisional decision, NatWest pointed out that the account had in fact already closed by that stage, so it said that there was little else it could do by that point.

I've looked into this point and it does seem to be the case that the account was closed on 18 May 2023 and the investigator's assessment on the prior complaint was issued on 19 May 2023.

NatWest says that as the account was already closed when it accepted the investigator's assessment, there was little it could do by then. But I think it's fair to say that when NatWest accepted the view on the previous complaint, this created a reasonable expectation for A that access to the account would be regained (on the basis that all of the KYC information

had been provided). Or failing that, that NatWest would get in contact and say what further information it needed, essentially as a last attempt to complete its KYC check.

Either way, I think it's fair to say that NatWest's acceptance of the investigator's assessment on the previous complaint led A to believe that it would shortly be regaining access to its account and that access to the account would resume as normal. But instead of that occurring, A was informed that its account was closed around the same time as the investigator's assessment and remained closed thereafter, despite NatWest's acceptance of the investigators assessment.

Given how things panned out, I don't think it was fair that NatWest closed the account when it did. I say this especially given that there was an outstanding complaint specifically about NatWest's KYC's process (and the reason the account was closed was because of apparent non-cooperation with the KYC process). So I think that the account closure could've been put off, pending the outcome of the previous complaint.

Therefore, I think that that the timing and manner in which the account was closed added further inconvenience to A. That is why I think that further compensation is warranted in this case.

I recognise that, given that NatWest still wanted the information about the beneficial owners of the overseas corporate shareholder (even though it had been removed as a shareholder) and that information had not been provided so far, it seems likely that the account would've still been closed, even if NatWest had asked for it a final time. But I think a reasonable expectation had been created that A would be given a final opportunity to resolve matters before the account was closed, but it was not given that opportunity and in turn led to this complaint being created.

As a final point, I appreciate that A says that NatWest's actions have been inconsistent with regulatory compliance and the principle of Treating Customers Fairly (TCF). A says that the decision to close the account stemmed from NatWest's error of misidentifying its shareholder. However, I should make it clear that NatWest has explained that its decision to close A's account, was not because of the initial error it made in mis-identifying A's shareholder. Instead, NatWest says it took the decision to close A's account because, once that error had been identified, A didn't then provide the information about the beneficial owners of that overseas corporate shareholder, despite NatWest asking for it a number of times.

In the circumstances, I can't say that NatWest was being unfair or unreasonable in wanting that information. But for the reasons outlined above, I do think the timing and circumstances of the account closure was unfortunate. I think NatWest's decision to close A's account when it did added further inconvenience to A that could've been avoided, had NatWest held off from closing the account until after the complaint about the KYC checks had been resolved.

I recognise that A wants me to instruct NatWest to reinstate its account. But, for the reasons outlined above, I think it was likely that A's account would still have been closed, albeit at a later date than it was, had A been given more time to respond to NatWest's KYC request, following NatWest's acceptance of the investigator's assessment on A's previous complaint. Because of this, I don't think it is appropriate to direct NatWest to reopen A's account.

I appreciate that this decision will come as a great disappointment for the director of A. But I hope I have been able to explain the reasons why I can only uphold this complaint in part.

Putting things right

To put things right, I require NatWest to pay A £300 compensation for the inconvenience A has incurred due to the circumstances surrounding the closure of its account.

My final decision

Because of the reasons given above, I uphold this complaint in part, and require National Westminster Bank Plc to do what I have outlined above to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 28 October 2024.

Thomas White
Ombudsman