

The complaint

A limited company, which I'll refer to as S, complains that National Westminster Bank Plc closed its business accounts without notice.

S is represented by its sole director, Mr P.

What happened

S successfully applied for a bounce back loan ("BBL") for £45,000 in 2020. At this point, S had held a business current account with NatWest for some time.

In November 2022, Mr P complained to NatWest about restrictions placed on his business accounts, particularly the withdrawal of his business debit card. The bank explained that this was as a result of a review following NatWest's decision to give notice to close Mr P's personal accounts.

S had been making monthly BBL repayments since 2021. But in December 2022, these stopped.

In March 2023, NatWest transferred S's accounts to its Specialised Business Management department, in view of the arrears on the BBL. S also had a £10,000 overdraft on its current account, which began to exceed its limit at around that time.

NatWest says it attempted to contact S's director via letter, text and email.

In August and September 2023, NatWest issued letters formally demanding immediate repayment in full of the BBL and repayment of the overdraft within ten days. The bank also said they would withdraw S's banking facilities within sixty days, if the overdraft wasn't cleared.

Once the notice periods had expired, NatWest transferred S's accounts to their Recoveries department, later placing it in the hands of their debt collection agents.

S's director complained to the bank in November 2023. NatWest didn't uphold his complaint. They said they had made various attempts to contact him before following their correct recoveries processes.

S's director asked the Financial Ombudsman to look into S's complaint. He said NatWest had closed his business account without warning and seriously damaged his business.

One of our investigators looked into what had happened, but concluded that NatWest hadn't done anything wrong.

S's director disagreed and asked for an ombudsman's decision. He said NatWest had not made all the attempts to contact him they were claiming and had just left him in limbo. He also said S would have repaid the BBL by now if the bank hadn't closed its current account.

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've reached the same conclusion as our investigator, for essentially the same reasons.

I know Mr P has argued that the bank's actions in November 2022 had a massive adverse impact on his business. He says that a payment in to S's account was returned and he then had to tell all S's creditors not to make payments, resulting in his customers losing faith in the business, as they thought it must be about to fail. This in turn left S with many unpaid invoices as well as the loss of a lot of clients.

Although limited companies and directors are entirely separate legal entities, it is common practice in banking to treat them as linked. All bank accounts are therefore considered one "connection", including the personal accounts of the directors. In this case, having taken the decision to give notice to close Mr P's personal accounts, the bank chose to put some restrictions on S's business current account too.

Given that Mr P is the sole director and owner of S, I don't find it unreasonable for the bank to treat them as connected and therefore to make decisions in this way. And whilst I appreciate that Mr P used S's debit card extensively and therefore its withdrawal was inconvenient, it is not the same as the account being closed. I cannot see that there were any other material restrictions on the account, particularly not any relating to inward payments.

I note that the bank's email regarding the withdrawal of the debit card also said that they were removing online banking too, but I cannot see that NatWest actually did this, as there are online transactions after this date.

I've seen statements for S's current account covering most of 2023, which show that the account remained open, with some activity on it. I can also see that it was possible to pay into it, since it received a large credit from HMRC in June 2023, following which three online payments out of the account to Mr P were made. I therefore don't think the evidence supports Mr P's claim that the account was closed without any notice before this point.

I have also listened to a lengthy phone call between Mr P and the bank in March 2023, in which NatWest's representative informs Mr P that S's business account remains open, can still be used and has an overdraft limit that has not yet come up for renewal.

In summary, I'm satisfied that S's current account wasn't closed as Mr P maintains in late 2022 and that S's creditors were still able to pay into it. I also think that NatWest had communicated that the account was open, both in the email of November 2022 and in the phone call in March 2023. So if Mr P did not understand that this account was still open and available to S, then I don't think this was due to an error on NatWest's part.

From January 2023 onwards, S did not make its BBL payments. These payments are contractual obligations and it was therefore S's responsibility to pay in funds to meet them as they fell due. As I've explained, I haven't found any evidence that there was anything preventing S's account being used (other than by debit card) including receiving credits, so I don't consider that the bank prevented S from paying the BBL.

Mr P has also said that NatWest had made no attempts to get in touch with him and all the bank's actions were without notice. I don't think the evidence shows this. NatWest's records indicate that they emailed and sent text messages to Mr P at least nine times in the period from March 2023 to August 2023. They also phoned and left voice messages on at least three occasions. I have no reason to disbelieve these records and I can see that the phone number and email address used by the bank is the same as that supplied to our service. In addition, the phone call recording of March 2023 begins with Mr P saying he is phoning following receipt of a text message. And he has also sent me an email reply he sent in response to a bank email notification in January 2023 that January's BBL instalment was overdue. This shows, in my view, that he was receiving these notices.

I note that the bank's formal demand letters were sent to S's registered company address, whereas a formal demand under the guarantee for the overdraft went to Mr P's home address. This may be why Mr P didn't receive S's formal demands, but I don't think this is an error on the part of the bank. I think it is reasonable for the bank to use the company's "official" address for such important communications and I can see that the registered address used is the one that is still current on Companies House's records.

My conclusion is that the bank made sufficient efforts to inform S about the unsatisfactory position of its BBL and overdraft and the steps the bank was likely to take if no action was taken. Ultimately, these steps were to issue formal demands and then take recovery action, resulting in the loss of access to S's account. I don't think the bank acted unfairly or prematurely in taking these steps, given the level of arrears and the bank's many attempts to make contact to discuss the situation.

Following Mr P's second complaint about his business account in late 2023, NatWest replied explaining amongst other things, that they had eventually withdrawn all access to S's business account, when they transferred it and the BBL to their Recoveries department in November 2023. I think this caused more confusion, as the bank didn't realise that Mr P thought that the account had been closed a year earlier. But I think that the description of events given in NatWest's letter is an accurate reflection of what had actually happened since March 2023. And I don't think the bank acted incorrectly in withdrawing banking facilities at that point.

My final decision

For the reasons set out above, I do not require the bank to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 19 March 2025.

Louise Bardell

Ombudsman