

The complaint

Mr B complains on behalf of A and A ("A") a limited company about the service received from National Westminster Bank Plc ("NatWest") in relation to a Know Your Customer (KYC) review during which A's bank account was restricted. In particular, Mr B says NatWest requested documents after they had already been submitted and accepted on its system.

What happened

On 7 February 2024 NatWest's system raised a flag to undertake a regulatory event driven review on A. This required A to provide details on people who have significant control over A's business including all beneficial owners and shareholders and additionally provide certified identification to satisfy NatWest's identity and verification (ID&V) checks.

NatWest sent letters, emails and texts to A about this and about what information and documents were required from 12 February through to April. The first letter stated in bold:

"ACTION REQUIRED: Please review the information we hold about A in 'My Business Profile' by 28 March 2024."

The letter also explained that if you don't finish the review by 28 March that NatWest may restrict access to your account and that this would mean you would not be able to deposit, withdraw or transfer funds and that NatWest wouldn't process any standing orders.

Although some of the information and documents requested were provided the ID&V requirements for Mr B remained outstanding and so NatWest granted a 15-day extension on 29 March to provide a certified copy of Mr B's drivers licence by 12 April.

A reminder was sent by letter and email to A on 2 April outlining the outstanding requirement and made it clear that a restriction would be placed against their accounts if NatWest's legal and regulatory obligations weren't met by 12 April which would result in the account becoming non-operational.

On 22 April NatWest conducted a review of the case and finding the outstanding information still hadn't been provided it placed restrictions on A's account.

The same day Mr B contacted NatWest about the restrictions and was told NatWest needed a certified copy of his driver's licence uploaded to its portal. Mr B said he'd already done this on 11 April but as NatWest couldn't locate any evidence of this on its system, Mr B agreed to re submit this and was advised that once received and verified the restrictions would be lifted within 2 full business days after the requirement is met.

An automated email was sent on the same day to A stating that outstanding documents must be submitted by 12 April – the deadline.

Due to an error on NatWest's portal for A it was showing that certified passports and a declaration of beneficial ownership was still required for A. But NatWest explained on 23 April that this was an error and the only outstanding document had been provided and that

the restrictions were in the course of being removed. Mr B raised a complaint about this with NatWest on the same day.

The restrictions were lifted on 24 April and NatWest's review was completed on 26 April.

Due to an operational error on NatWest's behalf further letters were issued on 25 April.

NatWest apologised for this error but didn't uphold A's complaint as it says no bank error had occurred with the review as it was undertaken correctly in accordance with its legal and regulatory obligations and the restrictions were applied correctly.

Mr B was dissatisfied with this and so brought his complaint on behalf of A to this service. Mr B says A made a loss of £5-10k as clients went elsewhere whilst he dealt with the problems caused by the restrictions and that as he was unable to receive funds into A's account he was unable to pay bills.

One of our investigator's looked into the concerns raised by Mr B on behalf of A but thought that NatWest were entitled to conduct its review in line with the terms and conditions of account and regulatory obligations. They didn't think that NatWest had treated A unfairly in applying the restrictions to A's account as NatWest had explained what would happen if the information wasn't received as well as providing an extension to the deadline when the requested information and documents weren't received.

They acknowledged the portal was showing documents outstanding when that wasn't the case and that there had been an operational error following the review where subsequent letters had been sent but didn't think that this caused A any unreasonable delays as the final document had only been received by NatWest on 22 April.

Furthermore, they explained correspondence dated 22 April which gave a deadline of 12 April, was intentional by NatWest because this was the actual deadline and this was to show the request is overdue which they thought was reasonable.

Mr B disagreed. He says he'd submitted his certified ID on 11 April, but there was a fault in NatWest's systems by either failing to record it or that it was removed from its system. Furthermore, NatWest requested documents that had already been submitted and accepted on its system and sent email's asking for these documents to be submitted by a date that had already passed causing financial hardship to A.

Mr B has asked for an ombudsman's 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.

I hope that Mr B won't take it as a discourtesy that I've condensed A's complaint in the way that I have, I've no doubt about his strength of feelings on the matter. But ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that.

And the crux of this complaint is about the service A received from NatWest when carrying out its KYC checks and Mr B's perception of NatWest's operational errors surrounding this.

As we are not the regulator, I don't have the power to tell NatWest how it needs to run its business and I can't make NatWest change its systems or processes – such as when it

requires it to conduct due diligence checks or how they are carried out or what information will satisfy these requirements. This is simply not something I can get involved with. Nor can I say what procedures NatWest needs to have in place to meet its regulatory obligations. We offer an informal dispute resolution service, and we have no regulatory or disciplinary role.

That said I don't think it is unreasonable for it to carry out diligence checks from time to time on customers in order to ensure it meets regulatory requirements, this is needed not only to protect the banks against criminal activity, but also their customers.

I appreciate this does cause some administrative inconvenience for Mr B on behalf of A as he does still have a business to run, but Mr B understands this, what he doesn't agree with is having the restrictions placed on A's account when he believes he'd already provided the information and documentation requested on 11 April.

I accept Mr B's position on this, but NatWest's system doesn't record Mr B uploading or it receiving this on this date or any time before 22 April. And NatWest does have records for other information and documents uploaded successfully with no apparent issues operational or otherwise, as well as the certified driver's license on 22 April. So I think it is unlikely the non-receipt of the driver's license on 11 April was due to an error on NatWest's part and as NatWest didn't receive this by 12 April - the deadline - and as it had already extended this deadline once, I don't think it was unreasonable it took the decision to apply restrictions to A's account on review of this on 22 April.

I've reviewed the correspondence sent to A between 12 February and 22 April and NatWest's internal notes and I'm satisfied NatWest made it clear that there were outstanding documents required to complete its review, how A was to satisfy them and by when, and the consequences of not complying.

I also appreciate the pressure of a timeframe being imposed to provide the requested information, but it is not just the customer who is under this pressure it is also the bank to ensure it is complying with its regulatory obligations. So I don't think NatWest has treated A unfairly here.

And nor do I think NatWest took an unreasonable time to lift the restrictions as the procedure to do this was actioned immediately and Mr B was informed that restrictions would be lifted within two working days which it was. I appreciate that this may have impacted A's business operation – though I haven't seen any evidence of this - but as I don't think the restrictions were applied due to an error on NatWest's part, I can't say it is responsible for this.

So overall I don't think NatWest has treated A unreasonably or unfairly when it requested information from it to comply with its regulatory obligations or when it applied restrictions to A's account when it didn't receive all the information requested by the extended deadline.

However, that is not to say it did everything right. I accept that NatWest's portal for A was showing documents outstanding that weren't on 22 April and that NatWest sent subsequent letters out to A requesting outstanding documents when they'd already been provided. This was no doubt both frustrating and inconvenient for Mr B.

But this happened after the restrictions were already in place and Mr B was informed that nothing further was required and NatWest was in the process of having the restrictions lifted. Furthermore, the subsequent letters were sent after the restrictions had been lifted.

And I also don't think there is anything wrong in NatWest stipulating the deadline of 12 April in an email dated after this (22 April) as the deadline had passed and NatWest has explained this was done to emphasise the urgency of the matter and that the deadline had

passed. Though I do think this could've been worded better, but I don't think this matters, as this email makes no difference to the overall outcome - as the deadline had passed and restrictions had been applied already.

Finally, as this complaint has been brought on behalf of A - being the account holder and the eligible complainant here - and A is a company that can't feel emotional distress, when considering compensation, I can only look at any direct financial loss resulting from any errors I've found NatWest to have made and not the distress and inconvenience Mr B has suffered personally – though I accept that NatWest's errors were both frustrating and an inconvenience for Mr B.

And so having considered everything I'm not persuaded any loss of business made by A was as a direct result of an error made by NatWest as it was entitled to carry out the KYC checks, ask for the information it did and apply restrictions to the account when it didn't receive what it needed in the required time.

So it follows I do not uphold A's complaint.

My final decision

For the reasons I've explained, I do not uphold Mr B's complaint brought on behalf of A and A against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask A and A to accept or reject my decision before 26 November 2024.

Caroline Davies
Ombudsman