

The complaint

Mr M complains National Westminster Bank Plc (“NatWest”) restricted and closed his accounts without explanation. Mr M says NatWest’s actions caused him substantive financial loss, distress, and inconvenience.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

Following a review, NatWest restricted Mr M’s account from 26 April 2023 until 10 May 2023. Unhappy that he couldn’t access his account, Mr M complained. NatWest said it was complying with its obligations, and with its terms of account. So it hadn’t done anything wrong. NatWest also apologised for not meeting Mr M’s expectations of its service.

Mr M had two accounts with NatWest, a basic and savings account.

On 12 May 2023, NatWest notified Mr M it had decided to end its banking relationship with him. NatWest explained that Mr M’s accounts will be closed in two months’ time on 11 July 2023. The letter also explained that Mr M should transfer any balances to an account of his choice.

Mr M referred his complaint to this service. One of our Investigator’s looked into it. As NatWest didn’t provide sufficient information to explain why it had taken the actions it did, our Investigator upheld the complaint. They recommended NatWest pay £200 compensation to Mr M.

Mr M explained to our Investigator that:

- He was using his account to move his savings around to get the best interest rate available. And NatWest didn’t notify him the account had been unrestricted after the review
- He had withdrawn all his funds in cash on 11 July 2023 and had a basic account as he wasn’t able to get a current account elsewhere
- He couldn’t receive around £2,000 from a company as it insisted on making the payment to the account it came from. And had he been made aware the restrictions were lifted, he could’ve arranged for this to be paid to him

NatWest then provided this service with more information to explain and show why it had taken the actions it did. Because of this, our Investigator recommended the complaint wasn’t upheld. In summary, their key findings were:

- NatWest acted in line with its obligations when reviewing and restricting Mr M’s account and it didn’t need to give any prior notification of this

- The information shows NatWest acted in line with its terms of account when closing the account by giving Mr M 60 days' notice
- NatWest's notification of closure letter explained the restrictions on the accounts were removed. So Mr M could've received the refund from the company he says would only pay into this account

Mr M didn't agree with what our Investigator said. I'd like to assure Mr M that I've carefully read everything he has said even if I don't expressly reiterate every point here. I'd also add that my role here is to determine the merits of this complaint, which means I won't be addressing any issues Mr M may have raised against this service's handling of his complaint.

Some of the main points Mr M made were:

- Why would a letter from NatWest explaining his accounts were being closed lead Mr M to believe his accounts had been unfrozen. Mr M had visited a NatWest branch on the last day of his accounts being open on 11 July 2023 in the knowledge he had no other option. Mr M tried various methods to gain access to his account without success.

Because of this, NatWest's failure to effectively communicate the accounts were unfrozen is a major facet of his complaint

- NatWest is obliged to give a legitimate reason as to why its closed Mr M's accounts. There is no illegal activity on the accounts and the mere suggestion Mr M poses a security risk is untrue. So NatWest hasn't applied its terms fairly
- NatWest's actions have left Mr M facing financial exclusion. And it's led to Mr M suffering financial loss, distress, and inconvenience

As there was no agreement, this complaint was passed to me to decide. I asked NatWest to provide me with more information. I also asked our Investigator to speak to Mr M who explained he didn't have any other bank accounts and that he only received the notice of closure letter after the accounts had been closed.

Our Investigator agreed with Mr M that he would provide his credit file and CIFAS report as he was concerned a fraud marker had been applied against him. As they didn't hear from Mr M, our Investigator chased him up about the information that was required for their complaint. Later, I also sent correspondence to Mr M to send me this information, particularly if he had another bank account with another provider and when this was opened. He didn't respond.

As a reasonable period had passed, I sent both parties my provisional decision in which I set-out what I was planning on deciding. For ease of reference, here is what I said:

Provisional decision

"I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts."

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr M and NatWest have said before reaching my decision.

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 am planning on upholding this complaint in part. I'll explain why.

Account restrictions and closures

Banks in the UK, like NatWest, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

NatWest has explained and provided me with information to show why it reviewed and restricted Mr M's accounts. Having carefully considered this, I'm satisfied it has acted in line with its obligations in doing so.

NatWest is entitled to close an account just as a customer may close an account with it. But before NatWest closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which NatWest and Mr M had to comply with, say that it could close the account by giving him at least 60 days' notice. And in certain circumstances it can close an account immediately or with less notice. NatWest gave Mr M 60 days' notice of closure once it had finished its review.

But one of Mr M's accounts was a Basic bank account. This means NatWest also had to consider the provisions of the Payment Accounts Regulations 2015 ("PAR's"). Amongst other things, they set out when an account provider can close a Basic bank account.

Basic bank accounts are a type of current account intended for people who don't have and don't qualify for standard current accounts. And it's partly because of this that NatWest's concerns, and any evidence it has in relation to this, had to meet a different standard.

I've looked very carefully at all the information NatWest has provided to me which it says justifies its decision to close Mr M's accounts. In relation to the savings account Mr M had, I'm satisfied NatWest has shown that it's acted in line with its terms and done so fairly when deciding to close this account.

However, given what the PAR's says about when a Basic account provider can close such an account, I'm not persuaded that NatWest has shown it has done enough to close this account in the way it has. I say that because I would've expected NatWest to carry out due diligence given the context of what it's explained. This would have either determined if NatWest had more than sufficient information to meet its obligations as set-out in the PAR's to close a Basic account. In reaching this conclusion, I've also weighed up the more extensive regulatory and legal framework NatWest say it considered.

So, in summary, without carrying out the level of due diligence it should have, I'm persuaded NatWest didn't do enough to have closed Mr M's Basic bank account. But Mr M hasn't shown that he didn't have another payment account in the UK – this is why I asked him to provide his credit file

I note Mr M has said in a call with our Investigator that he didn't have another current account with a bank. But I note from the statements I have that he was making payments to other accounts in his name. It's possible that they may have been other savings accounts, which means he didn't have a payment account as per the PAR's. But without a credit file, I'm not able to conclusively make a finding on this.

So though I think NatWest shouldn't have closed Mr M's Basic account even if it was with 60 days' notice, I need to take into account that from the information I have, it's probable he did have another account. And in doing so, I think it's also a mitigating factor that even if he only had other savings' accounts, and as he was using the funds to maximise savings interest rates in his NatWest account, the impact to him of losing this account is lessened.

NatWest has explained it hasn't applied any adverse markers against Mr M. So this isn't something I need to consider further - particularly as Mr M hasn't provided any information to the contrary.

Mr M says that he is entitled to, and NatWest is obligated to give a detailed explanation for the actions it took. But NatWest is under no such obligation. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information.

Some of the information NatWest has provided is information we consider should be kept confidential.

Communication of account restrictions

Mr M says that not clearly being told the restrictions had been lifted in May 2023 led to him suffering a loss of about £2,000 given a company who owed him this money insisted it be paid into the account it came from.

From the statements I've been provided I haven't seen the precise amount being paid to any company. Nor has Mr M provided any evidence that he has lost this money because of this issue from the third-party company. So I can't be satisfied that Mr M has suffered this financial loss because of anything NatWest did wrong.

Mr M feels strongly that he wasn't informed the account restriction was lifted. He says had he known he wouldn't have waited until the closure date of 11 July 2023 to withdraw his funds. Given Mr M knew that the last day the accounts would remain open suggest strongly he knew about the closures before they happened.

I've also carefully read the closure notification letter Mr M was sent dated 12 May 2023. It says that the accounts won't be available for any day-to-day use from 11 July 2023. The letter also says Mr M can transfer any balances on his accounts to a bank of his choice. And what will happen in relation to transferring funds if Mr M hasn't done this himself by 11 July 2023.

I accept that the letter doesn't explicitly and expressly say the restrictions have been lifted. But given it makes it clear Mr M can access his fund and transfer them, I'm satisfied this was enough to have made him aware the restrictions on the account no longer applied. After all, those restrictions stopped Mr M accessing his funds – something he could do after the 12 May 2023 letter.

Mr M has said he didn't receive this letter. But he knew the accounts were going to close on 11 July 2023 given that's when he withdrew his funds. And I haven't seen any compelling

evidence that the letter wasn't sent or that Mr M was having problems with his mail.

Fair compensation

After carefully weighing up the impact NatWest's actions have had on Mr M and taking into account the mitigating factors I've mentioned above, I'm persuaded that £300 is fair compensation for what NatWest did wrong.

To be clear, I don't think NatWest had enough information or did enough to justify closing Mr M's Basic bank account. But he had two months to make alternative arrangements with access to his funds. And Mr M hasn't shown he had another payment account at the time, so I can't be sure the closure was fair overall given what the PAR's say about this. Mr M also hasn't shown he suffered the financial loss he did due to any failings on NatWest's part for not being able to receive around £2,000.

Lastly, as Mr M has said he used his accounts to maximise savings rates, and as it appears he had other accounts to help him maximise his savings returns, I think any impact to him is mitigated. I can also see from the Basic bank account statements that there doesn't appear to be the type of everyday spend I'd expect to see if this was the only current account Mr M had.

So, as things stand, I'm satisfied £300 is fair redress for the distress and inconvenience Mr M suffered."

The deadline for either party to provide any further comments and evidence has now passed. Neither party has responded. I'll now decide this complaint.

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.

As neither party has sent me further comment or evidence to consider, I have nothing further to add. So for the reasons in my provisional decision – as above – I uphold this complaint in part.

My final decision

For the reasons above, I have decided to uphold this complaint in part. I now direct National Westminster Bank Plc to pay Mr M £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 18 November 2024.

Ketan Nagla
Ombudsman