

## **The complaint**

A company which I'll call 'M' complains that National Westminster Bank Plc (trading as Ulster Bank) behaved unreasonably when completing its banking checks and then closing its account.

The complaint is brought on M's behalf by one of its directors, Mr F.

## **What happened**

M, a company registered in Ireland, held a business current account with Ulster Bank. There was also another company with the same name but registered in the UK (I'll call this company 'MUK'), and this had led to errors by the bank for which Mr F had made previous complaints. M and MUK are completely separate with no relationship of any kind.

Mr F told us:

- In February 2023, Ulster Bank had asked M to provide some information about the business which he had uploaded to the bank's online business portal and was still visible.
- In July 2023, Ulster Bank without warning decided to close M's account saying that the information it had requested hadn't been supplied – despite this still showing as pending on the business portal.
- He'd already made several complaints to the bank about the business portal and made it aware that he could see information about MUK when he logged on to M's online portal. Ulster Bank had acknowledged the complaints and said the issue had been resolved but clearly that wasn't the case.

Ulster Bank told us:

- It had been undertaking a Know Your Customer ('KYC') review of M's account which started in December 2022. It had requested information from the company between December 2022 and April 2023 by phone, email, and letter but this hadn't been received.
- It had made M aware that if it didn't provide the requested information by 17 February 2023, then its account would be restricted. It had contacted M before the deadline to explain that it had received some information but still required the Certificate of Incorporation ('COI') and the Declaration of Beneficial Ownership ('DBO').
- In April 2023, after the information still hadn't been received from M it placed a stop on the company's account and the matter was passed to the closure team in May 2023 before ultimate closure in September 2023. It had given M the required 60 days' notice that the account would be closed and sent the company the balance of the account by cheque within two weeks of the account closure - so it didn't think it had done anything wrong.

Our investigator recommended the complaint be upheld. She didn't think Ulster Bank had treated M fairly by closing the company's account and she thought the bank should pay £150 compensation for the inconvenience caused, along with 8% simple interest for the time M was without its funds, and reopen the account – which Ulster Bank was already in the process of undertaking. She acknowledged that Ulster Bank had legal and regulatory obligations that it needed to meet, but she thought M had been trying to provide the information requested by the bank. She noted there were two portals which the bank had for M and the requested information had been uploaded to the wrong one – however this wasn't M's fault.

Ulster Bank accepted our investigator's opinion, but Mr F didn't. He said that the compensation wasn't enough for the inconvenience caused to M by the account closure and the time he'd spent bringing his complaint, so he asked for an ombudsman to review the complaint.

I issued a provisional decision on 30 September 2024. I said the following:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The background to this complaint is known to both parties so I won't repeat it at length here. However, the crux of the complaint is that Ulster Bank restricted and then subsequently closed M's account because it said it didn't receive the required information documents from the company, in particular the COI and DBO. It also said that it had acted in line with the account terms and conditions and hadn't done anything wrong – but I'm not persuaded that's the case.

Ulster Bank has legal and regulatory obligations to ensure that it has sufficient knowledge of its customers. Therefore, Ulster Bank may need to check from time to time that the information it holds for its customer is correct. It is a commercial decision which the bank is able to make on how often it undertakes these checks and what information (within reason) it needs to comply with its obligations. And if Ulster Bank doesn't receive the information it needs, it is entitled to take actions with regards to those customers. So, I think it was reasonable for the bank to request the information from M that it needed, and I wouldn't award compensation for the inconvenience to a company from having to provide this.

However, in this case I can see that the information requested by Ulster Bank had already been provided before the first deadline that it had given. I say this because M has sent us screen shots of the documents and information that it submitted to Ulster Bank on 9 February 2023 – before the deadline requested by the bank. I can see that along with the identification documents which could be seen by Ulster Bank, the COI and DBO were also submitted at the same time. I've also seen evidence that Mr F contacted the bank on the day he submitted the documents to say that he thought there was another issue with the business portal as he could see information which related to MUK – however I haven't seen any evidence that the bank looked to resolve this. Instead, it assumed M hadn't submitted the requested information and restricted the company's account and closed it.

Ulster Bank says that it had written to M before the account was closed to request the outstanding information, and attempted to call Mr F to discuss this. Mr F says that he didn't receive any of the letters from the bank, however, even if these had been received, I think it would've been reasonable for Mr F not to engage with the bank at this point because he'd already submitted the information as requested – so the

letters and calls weren't accurate to the situation. Furthermore, Mr F had already told Ulster Bank that the issue was with its business portal again, and that he couldn't re-send the information it had requested as the original submission was already pending on the portal. So, I don't think Ulster Bank treated M fairly here.

### *Putting things right*

Since M brought this complaint to our service, I can see that Ulster Bank agreed to reopen M's account and Mr F has advised that he was able to access and use the account from 29 March 2024. So, what I need to consider now is the inconvenience and losses caused to M as a result of the bank's actions.

Firstly, I can see that Ulster Bank restricted access to M's account between April 2023 and September 2023 meaning it couldn't use the account balance of roughly £27,580 during that period. Therefore, I think Ulster Bank should pay M interest for the time it was without the use of these funds. Our standard approach is to apply annual interest at 8% simple for the time a complainant is without the use of their funds due to a bank error, and I think that's reasonable to apply here. I also think Ulster Bank should refund M the £8 monthly account charges for the period that the company was unable to use its account.

I've also seen that when Ulster Bank issued M with a cheque for the balance of its account in September 2023, this was in GBP as this was the currency of the account. However, due to Ulster Bank's actions, M no longer held a GBP account and despite attempts, it wasn't able to open one elsewhere. This meant that M was charged a fee and an exchange rate loss to credit the cheque to its Euro account. So, pending the evidence from M to show the exact amount of costs incurred, I think Ulster Bank should refund those costs.

Mr F told us that the bank's actions had a severe impact on M as this was its GBP account which meant that it wasn't able to function properly and lost contracts with some of its clients as they only had GBP set up. Mr F also told us that he estimates the loss of revenue to be around £50,000 and this in turn caused M to post an unexpected loss for the year – which delayed the submission of the company's accounts leading to a fine – and caused M reputational damage.

However, I'm sorry to disappoint Mr F as I'm unable to recommend that the bank refund these losses as I haven't seen sufficient evidence that's the case. Our service is an evidence-based organisation, and whilst I don't doubt that M was caused inconvenience as a result of Ulster bank's actions, I can't simply accept Mr F's word for the losses he says M was caused or will be caused in the future. I asked our investigator to request evidence from Mr F of the losses he's mentioned, but he hasn't provided sufficient evidence for me to make an award for the consequential losses currently. If Mr F can provide this evidence, I am happy to consider it. However, I do need to make Mr F aware that I cannot make awards for any speculative losses that may or may not occur in the future, nor do we make awards on the basis of the hourly rates applied for staff.

Mr F says that the bank's actions caused a significant amount of inconvenience to M. He says that he repeatedly contacted the bank and raised several complaints to try and get the issue with the business portal sorted so he could submit the documents. I recognise Ulster Bank says it didn't receive Mr F's complaint in July 2023, but he's provided our service with evidence of this, and I'm satisfied that this was the case. I can see that Mr F has already raised several complaints with Ulster Bank about the

business portal, including that he could see MUK's details – so I can understand why Mr F was increasingly frustrated.

This was further compounded when Ulster Bank attempted to reopen M's account in January 2024, but the online details didn't work, and Mr F was asked to provide information again that he had already submitted. This meant further calls to the bank for Mr F and more time away from his role as M's director. Considering all the circumstances of this complaint, our service's guidance on compensation awards, and applying my own judgement, I consider that a payment of £750 for inconvenience is fair in this case.

I invited Mr F and Ulster Bank to give me any more evidence and information they wanted me to consider before issuing my final decision. Ulster Bank didn't accept the decision as it thought that if M held a currency account with another bank, then it was likely that it would also hold or be required to hold a GBP account with that bank. Ulster bank also wanted evidence of the exchange rate loss incurred by M.

Mr F also didn't accept the decision. He supplied evidence of the fees and charges incurred by M when it had paid in the GBP cheque to its EUR account, and how he had calculated the exchange rate loss of £1,437.90. This evidence has also been provided to Ulster Bank for the bank to consider and provide any comments it wishes to make. Mr F also reiterated that M had lost a customer contract for around £50,000 as it couldn't receive sterling payments and that Ulster Bank's actions had a significant detrimental impact on M. Overall, he said that the level of compensation wasn't sufficient for the inconvenience caused to the company.

### **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 broadly the same conclusion as I did in my provisional decision.

I recognise Mr F's strength of feeling about this complaint, and I acknowledge the comments that he's provided, particularly about the impact on M's through a lost contract. However, I haven't seen any evidence to show that M did lose the contract in question, or that this was as a result of the banks actions. Furthermore, if M was able to pay a sterling cheque for the account balance into its EUR account, I'm not persuaded that M wouldn't have been able to receive sterling payments from its customers into that account, albeit it would have incurred fees to do so.

It's not in dispute that Ulster Bank caused M inconvenience here, but I am satisfied that the £750 award, along with annual interest at 8% simple for the time that M couldn't use its funds is fair for the impact to the company. I recognise that Mr F says he was caused distress and that this isn't the first time M has experienced a similar issue with the bank. However, as I explained in my provisional decision, I can only make awards to the eligible complainant, which in this case is M, so I'm simply unable to make an award for the distress caused to Mr F personally.

I'm sorry to disappoint Mr F as I am also unable to fine or punish a business for making a mistake, or request that the bank change its processes. I recognise that Mr F feels M has been failed by the UK regulatory system as Ulster Bank has been able to operate in this manner, however our service isn't the regulator, and I don't have the ability to take the actions Mr F would like. Mr F can complain directly to the Financial Conduct Authority about

Ulster Bank should he wish; however, I do need to make him aware that as the regulator, it doesn't respond to individual complainants.

Mr F has provided a calculation which he says shows the exchange rate loss incurred by M. If everything had happened as it should, M's account balance of £27,563.35 would have remained in sterling. But due to Ulster Bank's error, the account balance was converted to euros, and M incurred costs to do so. Ulster Bank doesn't think that M has suffered an exchange rate loss because it hasn't converted the funds back into sterling. I acknowledge that M might have wanted to convert the funds into euros in any event, but I think that is unlikely because Mr F has repeatedly told us that M needed a sterling account for its UK clients.

So, I'm satisfied that M wanted to keep the £27,563.35 in sterling, but it received €31,420.45 (after fees) when it converted its account balance to euros. The combination of fees and exchange rate movements mean that if M now pays €31,420.45 back into its sterling account, it will receive less than the £27,563.35 – I don't think that's fair.

Both parties have explained how they feel the exchange rate loss should be calculated, with different dates and rates being applied. I am mindful here that Mr F has told us M would be caused further inconvenience from having to attend a branch to transfer the funds back, and that Ulster Bank will need to be able to comply with any direction that I make to for it refund M the exchange rate loss it says was incurred. Therefore, I think the simplest way to resolve this part of M's complaint, should the company accept the final decision, would be:

- Using the date of acceptance of the decision, Ulster Bank should undertake a calculation whereby it converts the €31,420.45 payment into sterling using its applicable rate.
- If the sterling amount produced by that calculation is less than £27,563.35 (the original account balance), then Ulster Bank should make up the amount to £27,563.35.
- If the sterling amount produced by that calculation is more than £27,563.35, then M will not have suffered an exchange rate loss and so there would be nothing for Ulster Bank to refund.

### **My final decision**

My final decision is that I uphold this complaint. I instruct National Westminster Bank Plc (trading as Ulster Bank) to do the following:

- Pay M £750 compensation for the inconvenience caused
- Refund the £8 monthly charges for the period M's account was blocked.
- Pay M annual interest at 8% simple on the account balance for the time the account was blocked and until the company was able to access the funds.
- Refund the transaction fees and charges paid by M so the company could pay the GBP cheque for account balance into its Euro account.
- Refund any exchange rate loss incurred by M returning the funds from EUR to GBP using the date of acceptance of the final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or

reject my decision before 27 December 2024.

Jenny Lomax  
**Ombudsman**