

The complaint

Mr A complains The Royal Bank of Scotland Plc (“RBS”) closed his account without explanation in April 2024.

Mr A says RBS’ actions caused him severe distress and inconvenience. To put things right, Mr A wants proportionate compensation, a detailed explanation, and his account reopened.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here. Instead, I’ll focus on giving my reasons for my 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.

Having done so, I have decided to uphold this complaint in part. I’ll explain why.

Banks in the UK, like RBS, 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.

RBS has explained, and provided me with supporting information, why it reviewed Mr A’s account and briefly suspended it. I’m satisfied it did so in line with its obligations.

RBS is entitled to close an account just as a customer may close an account with it. But before RBS 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 RBS and Mr A 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.

RBS restricted Mr A’s account briefly before deciding to close it. As Mr A’s account was closed within a week of RBS’ decision to close it, I’m satisfied I must treat this as an immediate closure.

RBS has provided an explanation and evidence as to why it acted in this way. Having carefully considered this, I’m satisfied RBS fell short in the due diligence it should reasonably have carried out to mitigate its concerns. In practical terms, I think RBS should have asked Mr A for pertinent information relating to its review. Had it done so, and based on Mr A providing enough information to this service, I’m satisfied RBS didn’t act in line with its terms and condition when closing the account with immediate effect.

Had RBS given Mr A 60 days’ notice, I’m persuaded that would’ve been in line with its terms. Afterall, a bank is free to choose who it banks with in the same way a consumer can. So, I think RBS must compensate Mr A for closing his account in the way it did.

Mr A had other banks accounts at the time, and he's demonstrated that he was using them for everyday spending. So, I think the inconvenience to him was negligible. I do however appreciate the matter would've caused him some distress. Having carefully weighed this up, I'm satisfied £100 is fair compensation for the distress and inconvenience he suffered.

I also agree Mr A was deprived of access to his funds which he would otherwise have had if RBS had given 60 days' notice of closure. Because of that RBS should pay 8% simple interest on these funds from the day the account was blocked, and the funds returned to Mr A. I note Mr A initially said that due to his beliefs, he wants RBS to pay this interest to a charitable cause. But later said he would do so himself. If Mr A accepts this decision, he should confirm whether he wants these funds paid to him or for RBS to give them to a charitable cause.

Mr A feels strongly that RBS should reopen his account and not prohibit his ability to open other accounts with it in the future. But given Mr A has other accounts, and as RBS is free to choose who it offers its services to, I'm persuaded it doesn't need to do so.

Lastly, I know Mr A would like a detailed explanation of why RBS acted in the way it did. But RBS is under no obligation to do so. 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 RBS has provided is information I consider should be kept confidential.

Putting things right

To put things right, RBS must:

- Pay Mr A £100 compensation for the distress and inconvenience it caused him.
- Pay 8% annual simple interest on the balance of the account from when it was restricted and when the funds were released. Mr A needs to confirm to our Investigator if he wants this paid to himself or for RBS to pay it to a charitable cause*

*If RBS considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A how much it's taken off. It should also give Mr A a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above, I have decided to uphold this complaint in part.
The Royal Bank of Scotland Plc must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 April 2025.

Ketan Nagla
Ombudsman