

The complaint

Company A complains National Westminster Bank Plc (NatWest) did not provide like-for-like accounts, as agreed, when A opened new accounts after the business changed from a partnership to a limited company.

What happened

A had accounts with NatWest when it was a partnership. One of the accounts was used to hold significant operational funds and was interest bearing. A opened new accounts with NatWest after it transitioned from a partnership to a limited company towards the end of 2023 and early 2024. A explained it agreed with NatWest to open like-for-like accounts with the same terms and conditions it had before.

A complains it discovered in January 2024, after opening the new accounts, that the new version of the account which held client funds did not pay interest. A claims NatWest had not explained the difference between the accounts and said it would not have agreed to an account that didn't pay interest. A explained it has lost out on interest payments because of this totalling approximately £5,000. A also claims the accounts were miss-sold as it thinks new accounts were not required when it transitioned from a partnership to a limited company. A also said it's previous BCA earned interest whereas the ones opened for the limited company did not.

NatWest responded saying it did '*mirror*' the partnership accounts when it opened A's new accounts. NatWest accepted there had been some poor customer experience and delay and paid A £100 because of this.

NatWest explained there are two types of account A has, Business Current Accounts (BCA) and a Client Deposit Manager account (CDM). NatWest has explained BCAs do not earn interest whereas CDMs do. NatWest also explained the interest earned by the CDM was paid directly into A's BCA.

Our investigator didn't think NatWest needed to do anything as they didn't think there had been a banking error. They explained A had been using the BCA for client funds after becoming a limited company, and this was not an interest bearing account. They explained they had not seen any evidence to suggest NatWest told A it couldn't make payments out of its new interest bearing CDM account. Our investigator thought the new accounts opened, did mirror the accounts previously held by A when it was a partnership.

Our investigator also didn't think the accounts had been miss-sold explaining NatWest was entitled to ask a limited company to hold accounts which comply with its own terms and conditions.

A didn't agree with our investigator's recommendation. It explained its previous BCA had earned interest and this was the account A had used for client's funds previously. A said it didn't need to make payments out of its CDM account. A insisted the BCA should have been interest bearing.

As A rejected our investigator's recommendation, its complaint has been passed to me to make a final 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.

Although I may not mention every point raised, I have considered everything but limited my findings to the areas which impact the outcome of the case. No discourtesy is intended by this, it just reflects the informal nature of our service.

Where evidence is incomplete, inconclusive or contradictory, I have to make decisions on the balance of probabilities – that is, what I consider is more likely than not to have happened in light of the available evidence and the wider surrounding circumstances.

The first issue for me to determine here is a matter of fact, that is, when opening the new accounts did NatWest *'mirror'* the accounts A had when it was a partnership.

NatWest has provided our service with screen-shot evidence from its system. This shows A had two current accounts or BCAs (one ending 059 and one ending 040) and one CDM (ending 084) when it was a partnership. I am also satisfied this evidence shows interest from the CDM was paid directly into the BCA ending 059 on a quarterly basis.

This evidence also shows NatWest opened two accounts in December 2023 for the new limited company, these accounts were a CDM (ending 287) and a BCA (ending 260). NatWest has explained A didn't start using the new CDM ending 287 until September 2024.

A also opened a further account in February 2024. NatWest provided a copy of the form completed for this account which was another BCA (ending 266), which A has been using for client funds. The form shows *'business current account'* was selected and that other options, which included *'Client Deposit Manager'* account were left unchecked. A wrote on this application form this account was for receiving client's funds and asked for the account to be named *'Client Account'* on statements.

NatWest has also provided our service with information available on the form if the (i) icon were selected next to each account listed. For CDM it said *'An instant access account designed to help business customers manage third party funds. The account can be used to hold funds for single or multiple clients and pays a managed rate of credit interest.'* For the BCA, as selected by A, the descriptor was *'The Business Current Account provides business customers with a day to day money transmission account'*.

I am therefore persuaded NatWest did open the accounts A has requested. It appears to me, on balance, A has opened and used the business current account for client's funds until September 2024. NatWest has explained there is nothing to stop companies using a BCA for client funds, but they do not earn interest. I am therefore satisfied from the evidence NatWest did open accounts which mirrored the partnerships account.

However, I understand the issue remains whether NatWest misadvised A regarding how the new accounts could be used, and thus whether NatWest were responsible for the confusion regarding the new accounts and how A used them.

The Senior Relationship Manager for NatWest responsible for opening the accounts responded to this concern. She said she didn't remember the conversation, explaining the discussions were over the telephone, but did say she *'would not have advised this'* in relation to not being able to make payments from CDMs. She explained she had mirrored the accounts of the partnership and CDMs couldn't have Direct Debits or Standing Orders, but customers are able to make payments from CDMs.

I am also mindful that A had used a CDM for client funds previously when it was a partnership and knew that it could make payments from the account where client deposits were handled. Whilst this could suggest, on one hand, there must have been some reason for A changing its processes, I could not evidence what this reason was. Having considered

this carefully, I think it more likely than not there was some miscommunication here but cannot say with any certainty whether this was a misunderstanding by A or by NatWest. These conversations appear to have been unrecorded phone calls. NatWest has said it would not have advised A it couldn't make payments from the CDM, it is therefore not fair to reasonably hold NatWest fully responsible for these issues based on the evidence I have seen.

A has also raised the issue of whether it needed to open new accounts at all. This is a commercial decision NatWest are fully entitled to make. As A will no doubt appreciate, there are significant legal differences between partnerships and limited companies, which would mean new terms and conditions need to be agreed with the new legal entity a limited company is. For that reason, I do not think it was unreasonable or unfair for NatWest to ask for new accounts to be opened in these circumstances.

A has said its previous BCA did earn interest. Again, this is a matter of fact for me to determine. I asked NatWest to provide me with evidence the previous BCA ending 059 did not accrue interest. NatWest provided me with a statement covering 12 months for this account. Whilst I can see interest being paid in to this BCA from the CDM ending 084 every quarter, there are no credits for interest from this account. There are, however, debits for interest. These debits would appear to have been charged by NatWest for periods when this BCA account was overdrawn. I am therefore satisfied the BCA A had when it was a partnership was not an interest bearing account.

Finally, I do think the final response from NatWest in early September was unhelpful and didn't explain correctly or in detail the situation. I do note NatWest has already paid £100 compensation for some of the poor service A has received, and I think this is in line with what I would expect in the circumstances outlined, so I do not require NatWest to do anything else here.

I hope this helps A to clarify and understand what has happened and trust I have explained the reasons for my decision clearly. I appreciate A may be disappointed I have not upheld its complaint, but I am pleased to see client funds have now been transferred to an interest bearing account moving forward.

My final decision

For the reasons I have given, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 12 February 2025.

Gareth Jones
Ombudsman