

The complaint

P complain The Royal Bank of Scotland Plc ("RBS") restricted and closed their account for not providing information for its Know-Your- Customer (KYC) review. P add that despite making requests to email or arrange a meeting to discuss the information RBS needed, it failed to do so.

P is represented by its director, Mr M. Where practical, I will refer to Mr M in my decision.

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.

In May 2022, RBS asked P to provide information to it as part of its legal and regulatory obligations. P uploaded the information and documents RBS requested on their online banking portal around July 2022. Then in early November 2022, RBS emailed P informing them that after reviewing the information they had provided previously, it had related follow up questions. RBS explained it needed to speak to Mr M on the phone so it could support him in answering its questions.

RBS then sent several communications, mainly by email, to P from November 2022 in which it reminded them it needed additional information to complete its review. RBS said P could log into their business portal where they could either submit answers on outstanding questions, and that it needs to speak to Mr M on the phone to support him in answering some additional questions. A telephone number for P to call was provided.

Mr M has sent me a copy of a letter which he says was sent to RBS dated 28 November 2022. The letter says it's a response to RBS' letter of 22 November 2022. Mr M says he doesn't consider the matter to be resolved. And all RBS need to do is write to P with its outstanding questions or send an email suggesting a time for a telephone appointment.

P has sent me a copy of a letter they say was sent to RBS by email on 21 December 2022. The key points Mr M made were:

- He's been in correspondence with RBS' Customer Relations Department and Business Profile Team for several months now about its request that Mr M calls it to provide further information
- Mr M anticipated P's account would be restricted by RBS, and so he's made alternative arrangements. But RBS is holding money which belongs to P that it has no reason to believe represents the proceeds of money laundering or any illicit activity. P will provide details of their new account when RBS consents to returning the funds

- P would like to complain about the peremptory way RBS required them to telephone it and refused to respond to their request that someone from the relevant team contact Mr M instead, by post, email, or prearranged phone call
- Mr M is puzzled why he received several voicemail messages from RBS to provide information when he didn't hear the phone ring
- P completed RBS' questionnaire in July 2021, and it subsequently said it needed more. And P should call RBS so that it could 'support' with the provision of answers
- Mr M accepts this matter could easily be resolved by telephoning RBS as its requested. But it would be more convenient if RBS would make the effort to contact him. And the onus to do so is on RBS

As RBS didn't receive a call from P in relation to the information it wanted, it restricted their account on 22 December 2022.

RBS responded to P's complaint by email on 14 March 2023. In summary, it made the following key points:

- RBS has a regulatory obligation to meet and the information its requesting is to ensure it remains compliant. The business profile review not only helps prevent against financial crime, fraud, and money laundering, but also gives RBS an opportunity to better understand its customers businesses and ensure the information it holds is correct. As part of the review RBS request certain documents are provided to ensure its meeting its regulatory requirement
- RBS will attempt to collect and verify as much information as possible using reliable sources like Companies House. But sometimes this won't be enough based on what's required
- Placing a stop on its customers account is a last resort. But if RBS doesn't receive a response, and given the importance of the review, it will place restrictions on P's account
- RBS sent P several communications between 22 December 2022 and 16 February 2023 through emails, text, letters, and attempted phone calls. But it didn't receive any response from P
- RBS' review team needs to confirm P's business activities. To provide this information P should call the review team on the telephone number as listed on the letter. P's account has been sent to RBS' exit team as it hasn't heard from them. P will therefore need to call RBS to stop the exit process
- RBS failed to action P's complaint after they'd sent a letter on 21 December 2022. RBS failed to look into this complaint until February 2023. RBS is sorry for the inconvenience this caused, and as an apology would like to offer P £200 compensation

P responded to RBS' complaint handler's email also by email on 17 March 2023. In summary, P made the following key points:

- P understands RBS has regulatory obligations to meet to keep up-to-date and accurate records. P has previously said they are willing to provide the required information
- But the Business Profile Team has asked for this information and for P to call it, so it can help P provide it. But P's request that RBS' specialist team tell them what is needed in writing, or that it arranges to call P in advance by phone, hasn't been responded to
- Mr M asked RBS when it attempted to communicate with him between December 2022 and February 2023. Mr M said he rarely leaves the house, and it's unlikely he would miss telephone calls to his landline number. Mr M also said it's unlikely he would miss emails, and has no record of receiving any texts or letters from RBS
- RBS has asked P to call its Business Profile Team. But this is P's complaint with RBS. That is, why won't RBS contact P and explain what information is required. Mr M also questioned why information could only be provided in a telephone call made by him to RBS
- P accepted RBS' compensation offer of £200 and asked it to be paid into their account with RBS

On 3 May 2023, RBS notified P it had decided to cease its banking relationship with them. RBS explained that it was sorry for doing this, but it had asked P for additional information and documentation which wasn't provided. And without it, RBS can't meet its legal and regulatory obligations. RBS gave P two months' notice of closure and said the account would be closed on 2 July 2023.

Unhappy with RBS' actions, P referred their complaint to this service. In short, some of the key points P made, that haven't been referenced here already, were:

- RBS's restriction of P's account prevents them from reconciling their accounts. And as they are due to submit their statutory accounts to Companies House, and submit a tax return, the matter is causing P serious concern
- Mr M began to receive telephone calls from numbers he didn't recognise and so didn't answer. In hindsight, Mr M realises this could've been RBS calling him, but he doesn't usually answer calls from unrecognised numbers
- The messages left on Mr M's voicemail sounded like scams, so he ignored them. But once an email was received from RBS, P treated this as genuine and had no problem in providing the information, which they did. But RBS wanted more information after this, and that P would need to call it
- Mr M feared it may take considerable time to get through to RBS on the phone and deal with the questions it wanted to ask. So Mr M replied that he would be happy to provide the information in writing or a prearranged call. But these requests were ignored by RBS, and P resented the time-cost of RBS' information gathering being shifted onto him
- Mr M has a strong dislike for dealing with people over the telephone, especially if he doesn't know them. He is even more reluctant to initiate such calls unless absolutely necessary

- RBS failed to investigate P's complaint properly. RBS didn't address the issue about Mr M's request to provide the information it wanted in another way. RBS acknowledged it failed to handle P's complaint properly and offered £200 compensation, which P accepted. But they have no idea if this has been paid into their account as requested
- RBS has closed P's account but has failed to say what information it wants despite sending communication to RBS to do so in writing or to discuss on a prearranged call
- P say the following points must form part of the key emphasise of their complaint:
 - (1) P has never disputed the necessity of RBS carrying out its review. And once satisfied the request for information was genuine. P co-operated fully by submitting its responses online
 - (2) Mr M accepts RBS made several attempts to contact him by phone to provide the additional information. But P made attempts to persuade RBS to communicate with them in writing or by another method. These attempts were ignored by RBS. Had RBS explained why it couldn't accept P's proposal of communicating in this way, they may have understood and altered their position
 - (3) It was only after P complained, and the account was restricted, that they learnt what information RBS wanted. But this is information RBS could've got from public record

On 31 May 2023, RBS informed P, that given the dormant nature of their account, and as no contact has been received the account has been closed. And that any related services have been cancelled. P said RBS' communication was misleading given they had made several requests to RBS to communicate with them in a way P were happy with. And so, P didn't refuse to provide the information RBS wanted.

P also added that it was now without access to any banking facilities. So even if RBS does pay it the compensation of £200 P accepted, there is no account to pay it into. P also said that seeking a new account facility is now unlikely to be accepted given RBS closed their account for not co-operating with its anti-money laundering procedures.

One of our Investigator's then looked into P's complaint. In summary, RBS explained:

- The account was correctly restricted and closed as P didn't respond to its request for further information. RBS provided sufficient opportunity for P to do so and sent requests through a variety of communication channels. So RBS hasn't made an error, but P failed to act on it requests
- RBS didn't handle P's complaint properly given it accepted P's complaint correspondence of 21 December 2022 wasn't acted upon. And that is why it offered P £200 compensation
- P chose not to call RBS' review team, so their reluctance to do so led to the account being closed. RBS must meet its obligations and as such hasn't made an error in the actions it took when restricting and closing P's account

- Whilst P were happy to answer any questions, RBS would query why they didn't respond to its request to contact it. RBS' team deals with many reviews on a daily basis and on occasion it needs to speak to the customer to correctly understand the business activities they're engaged in. This didn't have to be by telephone. And as previously explained, RBS sent many requests in several formats before restricting the account

Our Investigator then recommended the complaint wasn't upheld. In summary, their key findings were:

- Whilst RBS was asking P to call it, Mr M got in touch on multiple occasions asking for the information required to be put in writing. And Mr M gave RBS the option to make a telephone appointment if it needed to speak to him
- But RBS' restriction and closure of P's account was fair. RBS must complete a KYC review to meet its legal and regulatory obligations. And RBS notified P in advance what would happen if they didn't call to complete this. As P didn't call, RBS couldn't complete its KYC review
- RBS could've done more in communicating with P, particularly by explaining why it needed to speak to P on the phone. And why RBS couldn't obtain the information in writing. But this failing on RBS' part isn't enough to say the restriction and closure wasn't fair. That's because P could've mitigated against this had they called RBS to complete the KYC review
- RBS' offer of £200 compensation for its delay in handling P's complaint is fair and more than this service would likely recommend given RBS' response didn't make a difference to the status of the account. RBS doesn't appear to have made the payment. If P provides its new account details, these can be passed onto RBS to make payment

P didn't agree and questioned the reason RBS' decided to close the account. P also said they are now without banking facility and are no longer trading as a result. So RBS should pay the compensation it offered in cash at its registered office.

In response, our Investigator said:

- RBS' terms say it can close P's account as long as it gives 60 days' notice. And RBS did so because P didn't provide it with the information required to complete the KYC review
- They have seen a copy of the questions RBS needed answered, and each follow up question depended on the previous answer. So that is why it was better for RBS to do so over the phone instead of by email
- They will speak to RBS to see if there is an alternative way for it to pay P the compensation

As there was no agreement, this complaint was prepared for an ombudsman to decide. P made further submissions for consideration. Some of the key novel points P made were:

- Before its KYC review, and except for when the account was opened, contact with RBS has exclusively been in writing – by email or through its website. So it's understandable a sudden departure from an established pattern of communication, over a period of ten years, would be questioned by P

- The Investigator failed to put sufficient weight on (1) RBS ignoring P's requests to communicate in a way that suited them; (2) RBS maintaining P had not provided the information that was requested. But this information was never actually explicitly requested
- RBS has provided conflicting information as to why the account was closed. P didn't provide the information it wanted, the account had fallen into disuse, and RBS had relied on its terms and conditions where it can close an account with 60 days' notice
- Mr M also added: "Much has been made of the Bank's legal and regulatory obligations, and I wish to state now, as I have said many times before, I do understand that the Bank is bound by those obligations and I am and have always been willing to co-operate with the Bank's reasonable KYC enquiries. I have never refused to provide information the Bank had asked for, and I would not refuse further reasonable re-quests"
- P also added that RBS has an obligation to treat its customers fairly and be open and honest with them. And RBS should've have asked more precise questions when it first commenced the review and P responded
- At the time P accepted RBS' offer of compensation in March 2023, the account was still open. But the compensation payment wasn't made into it. P doesn't have an account and they don't want to mix business funds with Mr M's personal funds
- P sent a copy of a letter it says was sent by email on 11 April 2023 to RBS. In summary, the letter says P has arranged for another department of RBS' to credit their account and so it should be left open

RBS say it never received P's acceptance and that is why it went unpaid. RBS will also require an active account to make the payment. And it can't credit P's account as that is now closed.

This complaint was then passed to me to decide. I asked RBS, as a pragmatic resolution, if it could re-open P's account subject to the KYC information being satisfactorily provided. And that this could be done by an arranged telephone appointment or in writing.

In its response, RBS said that as the account has been 'fully closed' it cannot be re-opened. But in terms of remediation, P can apply for a new account with RBS, but they would be completely new account details. And success isn't guaranteed as each application is assessed on its own merits. P said it was for RBS to find a way to pay it the compensation. And that RBS could consider sending cash through a service the post office offers.

I then sent both parties my provisional decision. Here I set out that I was planning on upholding this complaint in part, and my reasons for doing so. 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 P and RBS have said before reaching my decision – even if I haven't explicitly set it out above.

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.

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.

These obligations generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes KYC checks and/or Customer Due Diligence (CDD). It's worth noting these checks include not just the verification of a customer's identity, but also establishing the purpose and intended nature of the business relationship and origin of funds.

I'd like to assure both parties, as I've said above, that I've very carefully reviewed everything they have said. But given this service has been set-up to resolve disputes with minimum formality, I think it would be pragmatic for me to deal with what I see as the crux of this complaint first.

That is, RBS treated P unfairly by not responding, or accommodating, Mr M's request to have the additional questions it needed put to them in writing. Or by way of an arranged telephone appointment. P says had RBS done so, then the series of events which unfolded including the account being restricted and closed, wouldn't have happened.

Having examined the evidence, of which I've mainly set out in the background section above, I think this is a very finely balanced issue. I say that because on one hand I've seen copies of several communications from RBS in which it made it sufficiently clear that P needed to call it to answer questions it had following its initiation of the KYC review. RBS has also shown through technical data that it sent P letters, SMS messages, emails, and made several call attempts to speak to P about this matter throughout the time of the review until the account was closed.

Mr M accepts he didn't pick up the calls as he doesn't like to answer calls from unrecognised numbers. He's also said the voicemails left made him think they were scam related. I haven't heard the voicemails, so I can't say this was the case. But I do appreciate that in today's financial climate such apprehension isn't unreasonable nor uncommon. But P does accept that after it received emails from RBS, the request for more information was genuine. I should add at this stage too, that I'm satisfied RBS explained upfront that if the information isn't provided, P would face the consequences of account restriction and later, account closure.

So I'm persuaded RBS present a strong argument that it acted reasonably and communicated clearly with P about its need for this information and what could potentially happen.

But, on the other hand, I would expect RBS to communicate effectively with P. And that means it should do so on a two-way basis. What I mean by this is that if P make a specific request of how it wants to communicate with RBS, it should, as a minimum consider this and respond accordingly.

P has sent in information which shows they attempted to explain to RBS that it was happy to provide the information but would do so either in writing or through a pre-arranged call appointment. Mr M says he doesn't like to answer unannounced calls nor call up a telephony service to have to wait to speak to someone.

In broad terms, most calls with financial services are conducted on this basis. So I don't think RBS were being unreasonable by directing P to contact it in this way. But importantly, P explained how they wanted to be communicated with. And as I've said RBS failed to reply to this and therefore, I'm persuaded it failed to consider this and afford P a reason why it could, or couldn't, accommodate this request. So, I'm satisfied RBS has failed to communicate effectively here.

After all, given the seriousness of an account being restricted and then closed, I'm persuaded RBS should have placed greater attention, weight, and consideration to P's requests. I note P requested this method of communication several times through emails sent between November 2022 and March 2023.

The first of which I can see was a screenshot from RBS' online banking platform. I can see this was submitted on 16 November 2022 by P. The comments Mr M left say:

"I understand you require further information concerning P's profile. It would be most convenient if you would put those questions in writing and I will attend to them in due course. You can contact me by post or email. Alternatively, please make an appointment to telephone me at a time that is mutually convenient for us to speak to each other. I should inform you that I do not usually respond to messages left on my answering machine"

If RBS couldn't ask the questions it needed to in written format, given I've seen that the answer to the previous question may determine the next question that is asked, then I think it should have met P's reasonable request to arrange a telephone appointment.

So having carefully weighed up everything, I'm persuaded RBS has failed to act reasonably by not responding to P's request to tailor its communication to his preference. I don't think organising such a call, given the nature of the review team's work, would've placed an unfair and onerous burden on RBS.

Having reached this finding, I can't say whether P's responses to RBS would've been sufficient to successfully complete its KYC review. I appreciate P say the information RBS wanted is publicly available and not complex (my interpretation). But RBS does have a legal and regulatory obligation to keep up-to-date information about its customers. And not doing so, can have serious consequences for it.

I'm presented here therefore with a series of challenges in terms of putting P back in a position to what they should be in had RBS acted properly. RBS also say the account can no longer be re-opened. I note its not entirely clear whether P does have another account given they originally said to RBS that they anticipated P's account would be restricted, and so has made alternative arrangements. But given Mr M's most recent of responses rescinds this position, I'll accept that to be the current position. I note also that P is still active on Companies House and submitted its latest set of account in 2024. And that it appears P did transfer their account balance of around £1,890 in November 2022.

That aside, and having given this considerable thought, I'm planning on directing RBS to do the following to put things right:

- Conduct the KYC checks and information gathering from P based on their communication preferences. If successful, RBS should re-open P's account, or provide compelling evidence as to why its systems or processes prevent it from doing so
- However, if RBS can't re-open P's exact account with the same sort code and account number and demonstrates why, it should provide another business account to P subject to its onboarding processes which include CDD, and KYC being completed successfully

Complaint handling and inconvenience

RBS offered P £200 compensation for its failings related to handling their complaint. I don't think RBS need to do anymore here. But I note RBS say P didn't accept the offer and that's why it wasn't paid into their account whilst it remained active. However, having examined the evidence I'm satisfied RBS has got this wrong.

Mr M responded to RBS' commercial complaints handler's final response by email on 17 March 2023. And he said the following in relation to the compensation:

"I appreciate your offer of compensation and I have decided to accept it. Please pay the money into my business account and advise me when I can access it"

That means RBS should have credited Mr M's account in March 2023, and in turn, I think its likely he has been deprived of funds he otherwise would have had access to, and the use of. So I will likely be directing RBS to pay 8% simple interest on £200 from 18 March 2023 up until P has an account reinstated.

Had RBS have acted as it should have in responding and accommodating Mr M's communication request, then its likely they wouldn't have been inconvenienced in the way they have. Having given due consideration to our approach on such awards, I'm persuaded RBS should pay P £250 compensation for the inconvenience it's caused.

P may argue it's suffered financial loss through loss of business opportunity in not being able to access banking services since the account was restricted by RBS. But a business should take reasonable steps to mitigate such loss. In this case I would've expected P to attempt to open an account with another provider. To that end, I haven't seen any evidence of RBS suggesting or recording any adverse marker that would've prejudiced P in applying for another account.

I also haven't seen strong and conclusive evidence P didn't open another account in their name given Mr M said he had made alternative banking provision in December 2022. And as it appears their funds were transferred to another account in November 2022. After all, P has said it didn't want to mix its business funds with that of its director's personal funds.

Lastly, and for the sake of completeness, I think it's reasonably clear RBS restricted and closed P's account as it hadn't received the information it wanted as part of its KYC review. RBS's terms allow it to close an account with a customer by giving two months' notice, and in certain circumstances it can do so immediately. So RBS exercised this option because of not receiving the information. That means I don't think both are mutually exclusive. I do however think its most likely RBS used the term dormancy erroneously in one of its closure Communications"

The deadline for both parties to provide further comments and evidence has now passed. In response, P say they are happy to accept the outcome in my provisional decision. RBS also

said it agrees with what I said I was planning on deciding and will await the final decision and P's acceptance.

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 again, I have decided to uphold this complaint in part. The reasons for doing so are contained in my provisional decision – as above.

Putting things right

To put things right, RBS must:

(1) Either:

(a) Conduct the KYC checks and information gathering from P based on their communication preferences. If successful, RBS should re-open P's account, or provide compelling evidence as to why its systems or processes prevent it from doing so

(b) However, if RBS can't re-open P's exact account with the same sort code and account number and demonstrates why, it should provide another business account to P subject to its onboarding processes which include CDD, and KYC being completed successfully

(2) Pay P £200 for its complaint handling. RBS should pay 8% simple interest on this amount from 18 March 2023 up until an account has been reinstated (subject to RBS meeting its obligations) and the payment then made to P into this account*

(3) Pay P £250 compensation for the inconvenience caused to them

*If RBS considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell P how much it's taken off. It should also give P a tax deduction certificate if they ask for one, so they 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. I now direct The Royal Bank of Scotland Plc to put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 16 January 2025.

Ketan Nagla

Ombudsman