

The complaint

A limited company, which I'll refer to as K, complains that National Westminster Bank Plc has unfairly closed its current account and declared its bounce back loan in default.

K is represented by its owner and director, Miss C.

What happened

K took out a £7,500 overdraft facility in May 2017, which was renewed annually.

K successfully applied for a £50,000 bounce back loan (BBL) in May 2020.

In mid-2023, NatWest decided not to renew K's overdraft limit.

In October 2023, the bank wrote to give 60 days' notice that they intended to remove K's banking facilities. At the same time, they formally demanded full repayment of K's overdraft and its BBL.

The bank made further attempts to contact Miss C, before making formal demand again in April 2024. NatWest then closed K's current account and transferred the overdraft and BBL to their recoveries department.

Miss C complained on behalf of K that the bank had closed K's account without notice and unfairly put the BBL into default, even though there was a repayment holiday in place at the time.

NatWest didn't uphold the complaint, as they felt they had followed their procedures correctly.

Miss C asked the Financial Ombudsman to look into what had happened. One of our investigators explained that, whilst she thought the bank could have explained matters better, they hadn't acted unfairly.

Miss C disagreed and asked for an ombudsman's decision. She said she wasn't in breach of the terms of her BBL, she still wasn't clear why her account had been closed and NatWest should have given her a formal warning.

.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'm sorry to disappoint Miss C but I've reached the same conclusion as our investigator, for essentially the same reasons. I don't think NatWest have acted unfairly in closing K's account or putting the BBL into default.

Miss C argues that the BBL default was unfair, because K wasn't in breach of its BBL agreement. Miss C is correct insofar as everything was in order with her BBL until the formal

demand – because previous arrears had been capitalised into her February 2024 repayment holiday. But as our investigator explained, the terms of the BBL agreement also set out that failing to repay any other amount due to the bank was also an event of default.

K failed to repay its overdraft, after its limit expired in July 2023. This therefore triggered an event of default, which entitled the bank to demand repayment of the BBL in full, even though there was a repayment holiday in place. I'm therefore satisfied that the bank were permitted to take the steps taken under the terms of K's contracts with NatWest.

Notwithstanding these contractual powers, I've also considered whether NatWest acted fairly and I'm satisfied that they did. I say this in part because I consider their actions were consistent with normal banking practice where an overdraft is not renewed. Miss C says that she was given no notice of the closure of K's current account, but I'm satisfied from the evidence provided that NatWest sent a letter on 11 October 2023 informing K that if its overdraft wasn't cleared within 60 days, they would close its bank account. They also told her that there was no overdraft limit on the account at least twice on the phone.

Miss C argues that she was engaging with the bank in early 2024. I agree that she made several phone calls, which I've listened to and considered. I've heard Miss C being informed on two different calls that failure to get in touch about repaying the overdraft would be likely to result in a transfer to the bank's recoveries department. On one call in particular in early February, Miss C asked what she needed to do to avoid a default being recorded (which was her particular focus at the time). The bank's representative responded very clearly with "repay your overdraft in full" and Miss C acknowledges this.

I don't think these calls should reasonably have left Miss C in any doubt that she no longer had an overdraft facility on that account. On the call, she gave every indication that she understood what she needed to do to prevent a default – which was to repay K's overdraft. She ultimately chose not to take that action, although she did not indicate any problem with paying during those calls.

The bank also tried to call Miss C on 20 February and on 4 March and on both occasions, Miss C was too busy to talk.

I can also see that other letters, such as the formal demand in April 2024, whilst not explicitly saying K's accounts would be closed, warned K that all its standing orders and direct debits would be cancelled. Overall, I think that by the time of this second formal demand, the bank had made numerous attempts to contact Miss C by both phone, text, email and letter. I think these efforts in combination should reasonably have indicated the urgency of the situation to Miss C.

After the call on 4 March (where the bank got as far as once again pointing out that the full balance on K's overdraft was due and action was not on hold), Miss C didn't make contact again for some time, despite the bank's efforts. My conclusion is that the bank was entitled to issue a second formal demand in April 2024 and then close K's current account and transfer the debts to their recoveries function. I haven't seen anything in Miss C's interaction with them that would make this step unfair.

My final decision

For the reasons set out above, I do not require National Westminster Bank Plc to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 28 October 2025.

Louise Bardell
Ombudsman