

The complaint

A company I will call 'B' complained that NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY ('NatWest') blocked its account unfairly resulting in a failed direct debit payment.

Mr W, a director of B, brings the complaint on behalf of the company.

What happened

27 December 2024 – NatWest wrote to Mr W requesting him to check and confirm that information NatWest held for B was up to date and correct. NatWest said the review was necessary to satisfy its regulatory requirements and its letter included the following information:

'What happens if you don't finish your review by 08 February 2025

If you don't complete your review by 08 February 2025, we may restrict your access to your account. This would mean you would not be able to deposit, withdraw or transfer funds and we wouldn't process any standing orders.'

Friday 3 January 2025 - Mr W completed this request and received confirmation from NatWest, thanking him for completing the review and saying:

'We'll be in touch once we complete our assessment. If we need more information from you, we'll let you know.'

Monday 6 January 2025 – NatWest sent a reminder to Mr W about the 8 February deadline for completing the review.

10 February 2025 – NatWest blocked B's account which caused a regular direct debit payment B had set up to fail. Mr W contacted NatWest the next day. He told us he was asked further questions which he hadn't been made aware of previously.

13 February 2025 - NatWest removed the block on B's account and the failed direct debit duly completed the next day.

NatWest didn't accept it had made any error – it said it had no record of Mr W responding to its 6 January letter and this resulted in the account being correctly stopped on 10 February. But as a goodwill gesture NatWest refunded the £12 unpaid debit fee B had been charged.

Mr W brought the complaint to us and our investigator agreed that NatWest should do more to put things right. The investigator felt that NatWest's failure to inform Mr W that it required more information after he'd already completed its review request (and NatWest had acknowledged this) was the reason the debit failed. So as well as refunding the unpaid debit fee, our investigator thought a fair outcome would be for NatWest also to pay £50 compensation to B to reflect the inconvenience caused.

Mr W has agreed this proposed resolution but NatWest hasn't said whether it will now accept the investigator's view – or why it doesn't. So the complaint has come to me to decide.

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.

The background facts are broadly agreed as set out above– there doesn't seem to be any particular dispute about what happened so I don't need say more about this. My focus is on whether NatWest has acted in a fair and reasonable way overall here.

The above timeline shows that Mr W complied promptly with NatWest's review request and it seems clear that NatWest was in receipt of this information on 3 January.

I can understand why Mr W didn't think he needed to contact NatWest further in response to NatWest's 6 January letter. He'd already provided the requested information, he was aware that NatWest had received this and was processing it and he reasonably understood from what NatWest had said that NatWest would ask him for any additional information required.

Mr W might've reasonably thought that NatWest's 6 January letter looked like it might've been an automatically generated reminder that was already being processed when the events of 3 January took place. This would explain why the 6 January letter was sent to B even though the requested information had already been provided by B and acknowledged by NatWest. The 6 January letter didn't say what further information was outstanding. So I don't think this letter was enough to put the onus back on Mr W to contact NatWest further.

When Mr W made contact with NatWest to query why a direct debit payment had failed, and it became apparent that NatWest needed more information from him, he provided this straightaway. It can't be known with certainty what Mr W would have done in other circumstances, but I am required to make my decision based on the balance of probabilities – that is, what's more likely than not to have happened based on the evidence that's available to me. On balance, I've concluded that had NatWest made an information request sooner, then it's likely Mr W could've told NatWest what it needed to know in good time to avoid the account being blocked and the direct debit not being paid.

So I think it's fair that NatWest repaid the unpaid debit fee B incurred – but thinking about what the impact on B has been as a result of NatWest's poor handling of this matter, I am satisfied NatWest needs to do more to put things right.

I can see how NatWest's handling of matters caused B inconvenience and disruption to its normal business – especially taking into account that the failed debit payment was to HMRC which would've required B to take urgent action. In acknowledgement of the inconvenience this caused B, I think the £50 compensation payment recommended by the investigator is a broadly fair way to provide redress in these particular circumstances.

Putting things right

NatWest should pay B £50 compensation.

My final decision

For the reasons set out, my final decision is that I uphold this complaint and direct NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY to take the steps set out to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 30 September 2025.

Susan Webb
Ombudsman