

The complaint

R complains that The Royal Bank of Scotland Plc (RBS) restricted its access to funds in a new account while it was waiting to be registered on the Charities Commission register.

R is represented in bringing this complaint to us by one of its directors, Mr R.

What happened

R applied to open an account with RBS in late 2021. During the application process, R told RBS the account would be used for charitable funds.

R made its application to the Charity Commission in early 2022. The Charity Commission asked for additional information in September of that year, at which point RBS applied more restrictions to R's account. As a result, R complained to RBS about the situation in late 2022.

A senior business manager (SBM) was assigned to R, who explained that the type of account it held, required R to be registered with the Charities Commission before the account could be operational.

As a way forward, Mr R suggested RBS migrate R's account to a small business account while its application for charity status continued, as the restrictions were causing operational difficulties for R. RBS asked Mr R to set out the reasons why the existing account should be made operational if the company wasn't going to trade as a charitable organisation. Further discussions between Mr R and RBS' SBM followed, but no resolution was reached.

R's complaint had also been passed to a member of RBS' Customer Service & Operations, Commercial Banking team during this time. Mr R said he asked RBS to provide telephone recordings of his discussion with the SBM and a copy of the Terms and Conditions of the account from when it was opened as part of the complaints process, but these weren't forthcoming.

In March 2023, a different member of the Customer Service team told R they were unable to locate the terms and conditions for the account but could confirm the information provided to them by R during the application process confirmed that R had applied for an account as a charitable not-for-profit organisation. So, RBS said it would not be unfreezing the account.

Mr R was unhappy with RBS' response, so he brought R's complaint to our service. One of our investigators looked into the matter but didn't think the complaint should be upheld. He said that although RBS should've been clearer about the terms of operating the account sooner, our service can't interfere with how a firm should operate in terms of switching the account to a standard business account.

Mr R asked for a decision on R's behalf. However, a more senior investigator, Mr B, could see that we needed more information from RBS about the case which would need to be reviewed before the complaint went to an ombudsman for a final decision on the matter.

RBS provided the information requested and Mr B issued a revised view of the complaint, upholding the complaint in part. He said that RBS should close the account, release the funds back to R and add 8% simple interest on the balance held in the account from the end of January 2023 to the settlement date.

RBS accepted the revised view and agreed with Mr B's recommendations. They asked him to confirm R had another account into which the funds could be released and the interest paid.

Mr R asked Mr B to ask RBS to move R's account to a small business account, however, Mr B explained we wouldn't be able to instruct RBS to do that, but he would ask them what the next steps would be for R to set up a new account. He also confirmed in that response that complaint handling is not a regulated activity or an activity otherwise covered by the DISP rules in the FCA Handbook which set out the parameters of the Financial Ombudsman Service's jurisdiction. Mr B also agreed to ask RBS to hold the funds in R's account while it looked to open another bank account.

RBS agreed to hold the funds for a period of time while R opened a new bank account but confirmed the interest would only be calculated from late January 2023 to 26 February 2024.

When Mr R responded, he asked Mr B for the details of a contact in RBS who could deal with R's application for a small business account. RBS provided Mr B with a link that R needed to follow to begin the process of opening an account.

Mr R was dissatisfied with RBS' response and said they didn't accept this generic approach given RBS were attempting to resolve R's complaint. Mr B acknowledged Mr R's disappointment and explained he was unable to direct RBS to change the process they have in place for new account applications.

As a result, Mr R asked for the case to be escalated to an ombudsman. He said:

- Not being provided a contact name and email address to process R's small business account application was unreasonable given the stage of the complaint process R is currently at.
- Any consideration by the ombudsman should include the payment of interest for the monies RBS holds while they have had the benefit of the R's money.
- The complaint also includes consideration by the ombudsman of all parts of R's initial complaint including issues regarding the handling of R's complaint.

There was some further correspondence between Mr B and Mr R, which ultimately resulted in the case being passed 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.

Having done so, I have to tell Mr R that I think Mr B has reached the right outcome here. So, I don't uphold the complaint that RBS should deviate from their usual account opening process in order to resolve this matter, nor do I think RBS did anything wrong in placing the restrictions on R's account while it was waiting for its Charity Commission application to be approved. However, I do agree that RBS should compensate R for not being clearer in explaining what would happen to the account when it told them it was no longer pursuing charitable status. I've explained how I reached this decision in more detail below.

Restrictions applied to R's account

Mr R says that R was unaware that use of its account would be restricted while it was awaiting the processing and approval of its Charity Commission application. Mr R says that no terms and conditions were provided that indicated there would be an issue with using the account while this process was ongoing in the background.

RBS disagree that R wasn't made aware of these restrictions. They told us the account was opened with restrictions in place and a Ms R and a Ms Q, who represented R at that time, were made aware that the account would be restricted until R had a charitable status.

RBS explained the initial application was treated as being from a Limited by Guarantee company until Ms Q explained in November 2021 that R is a charitable non-for-profit organisation, set up as a company limited by guarantee, with a Board of Trustees (volunteers) all with equal voting rights. Ms Q explained it was unable to proceed with the Charity Commission application until R's first set of accounts were produced post 31 March 2022, but R would do so after that.

RBS have provided me with copies of internal emails showing that the account was opened with restrictions to allow R to evidence the required £5000 needed to register with the Charity Commission. I've seen a copy of RBS' internal policy for this type of account and I'm aware of the relevant legislation requiring charities receiving over £5000 to be registered with the Charity Commission. In addition, RBS confirmed there wasn't an option for R to open an account as an unregistered charity.

Having taken all of the above into consideration, I'm satisfied that a representative of R was made aware that restrictions were to be applied to the account while its application was going through the Charity Commission's process.

The handling of R's small business account application

I think Mr B explained the matter clearly in both his view and his follow up correspondence with Mr R. I don't feel there's much I can usefully add to what has already been said, particularly regarding RBS' account opening process, other than to make the following comments.

Firstly, I should explain that the role of the Financial Ombudsman Service is to resolve individual complaints and to award compensation, where appropriate, to put things right for that complainant. We are not the industry regulator, so we don't have any power to make rules for financial businesses or to punish them.

In this case, asking RBS to deviate from their standard account opening process simply isn't something I'm permitted to do as an ombudsman. I understand Mr R might think this a straightforward request, however the complexities and regulatory requirements involved make it less straightforward than it may seem. I know this will be frustrating for Mr R to hear and I'm sorry this means our service won't be able to assist R as fully as Mr R would like in this matter.

R already has a relationship manager with whom Mr R can discuss the matter, but they will be unable to help with the application for a new account other than to provide Mr R with the link for applying that he has already been given.

Payment of interest

Mr B recommended that RBS release the funds back to R adding 8% simple interest on the

balance held in the account from the end of January 2023 to the settlement date. RBS agreed to pay the interest to the end of February 2024, which was the point at which they agreed to our findings.

The reason for this award was that Mr B thought RBS had taken too long to close the account after they would've been reasonably aware that the charity account was no longer suitable for R's needs. And R had told them it was not progressing with its application for charitable status.

I agree with this reasoning and the dates used to calculate when the interest should be paid. I understand Mr R would like RBS to pay interest over the years the bank account has been open. However, I don't think this is a reasonable request. RBS have continued to keep the account open as a result of a request our service made to them when Mr R asked us to ask RBS to keep the account open for longer while R attempted to open a new account. At no point was there any agreement that any new account was to be provided by RBS, so RBS could have closed this account far sooner had it not been for this request.

In addition, there is no evidence that R followed the process he was given to apply for a small business account, nor is there any evidence that R applied to another financial institution for an account during this period.

Complaint Handling

I can see that the rules by which we are governed have been covered in detail by Mr B in his correspondence with Mr R. As he explained, the handling of a complaint isn't in itself a financial service, but rather a form of dispute resolution. As such, it is not something that falls within our jurisdiction as we are not the regulator - that is the role of the Financial Conduct Authority.

Putting things right

I agree with Mr B's findings that RBS should likely have closed the account sooner, when R notified them that it was no longer continuing with its application for charitable status. I appreciate this situation has now changed, but that was not the basis of the original complaint that was brought to our service.

I understand Mr R would like me to ask RBS to allow R access to this account again and to keep it open as R has reapplied to become a charity and there is a live application being considered by the Charity Commission. I don't think it would be fair or reasonable of me to ask RBS to do that at this stage, however there is nothing to stop Mr R from discussing this option directly with R's relationship manager. However, even if RBS did agree to keep it open, the restrictions would continue to apply to the account until charitable status was approved.

As I've detailed above, I don't think RBS did anything wrong in restricting the account while R went through the process of applying for charitable status. In fact, I think it's fair to say RBS accommodated R with its application by opening the account to begin with and they have allowed R to keep the funds in the account while this complaint was ongoing.

There was and is no obligation on RBS to provide an alternative account for R, and that is not something that our service is directing RBS to provide. RBS has an account opening process in place, which cannot be circumnavigated, and we cannot interfere with RBS' process. Both of our investigators explained this to Mr R, so I would've reasonably expected R to have started taking steps to minimise any further loss or risks while this complaint was ongoing.

As such, I agree that adding 8% simple interest to the balance held in the account from the end of January 2023 to 26 February 2024 is a fair and reasonable way of compensating R for RBS not clearly explaining what would happen to the account once R told them it was no longer pursuing its application for charitable status at that time.

My final decision

I uphold this complaint in part and direct The Royal Bank of Scotland Plc to add 8% simple interest on the balance held in R's account from the end of January 2023 to 26 February 2024.

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

Tara Richardson
Ombudsman