

complaint

Mrs C, represented by her mother Mrs D, complained about National Westminster Bank Plc. Mrs D had tried to pay £40 into Mrs C's account as a surprise present, but the bank wouldn't accept it.

Mrs C, represented by her mother Mrs D, would like an apology and a "*modest*" amount of compensation.

background

In December 2017, Mrs C's mother, Mrs D, went into a NatWest branch to pay £40 cash into her daughter's account. She gave the cashier the money, and her daughter's account number and sort code. But the cashier said Mrs D couldn't pay the cash into Mrs C's account without Mrs C's bank card. She told Mrs D this was because of "*banking legislation that came in in October*" and told Mrs D she'd have to do a bank transfer instead. Mrs D didn't do internet banking, so this wasn't an option.

Mrs D complained to NatWest. She pointed out that she'd paid an identical amount of cash into her other daughter's account with a different bank. She said that she read the financial press and had never seen anything to say a bank wasn't allowed to accept a small cash payment. She said she understood the need for regulations to combat money laundering, but she felt that for the small amount involved, this was ridiculous.

NatWest replied that "*as per a requirement from our Regulators, we are no longer allowed to accept cash deposits unless the account holder is present with their debit card*". NatWest said this would apply even if a customer only wanted to deposit £1. It said it hadn't done anything wrong.

Mrs D didn't accept this. She pointed out that other banks with the same regulators as NatWest would accept cash. She went to seven other local banks and all of them said they'd accept a £40 cash payment in these circumstances. Mrs D said it appeared that NatWest had decided to make it extremely difficult for a third party to pay in cash by hiding behind non-existent regulations, or grossly over-interpreting them. She argued that this would enable NatWest to reduce staff numbers, avoid handling cash, cause customers to be overdrawn for longer, all designed to maximise the bank's revenue.

NatWest didn't change its response. It repeated that its regulators had made it a requirement that the bank wasn't allowed to accept cash deposits to an account unless the account holder was present with their card.

So Mrs D wrote to the regulator, the Financial Conduct Authority (FCA).

The FCA replied that it had reviewed its rules about cash deposits and it wasn't clear what rules NatWest was referring to. It said that NatWest might also need to observe other legislation such as anti-money laundering laws. But it said that it would expect regulated firms to treat their customers fairly and provide information in a clear, fair and not misleading way. It noted that Mrs D had visited other banks and got a different answer. FCA said this might be due to a commercial decision. The FCA also suggested Mrs D might like to get in touch with our service. Mrs C, the account holder, complained to us, with Mrs D as her representative.

The adjudicator didn't uphold the complaint. She said NatWest was entitled to review its processes to comply with regulators' requirements. She noted that the FCA had said it wasn't aware of the specific regulation to which NatWest was referring, but regulations require banks to comply with other legislation such as anti-money laundering. The adjudicator agreed NatWest's information had been confusing, but said she didn't think there had been any financial loss or inconvenience.

Mrs C, represented by Mrs D, remained unhappy:

- She still hadn't had an answer about what specific regulation had caused the change.
- Mrs D pointed out that the issue had always been about small cash deposits. She didn't disagree about accepting large cash deposits, but believed the bank's action in refusing the small amount of £40 was totally unreasonable.
- She strongly disagreed with the adjudicator's statement that there hadn't been any inconvenience. Mrs D told us her age, and said she'd certainly been inconvenienced.

my provisional findings

I issued a provisional decision on this case. Before doing so, I considered all the available evidence and arguments to decide what would be fair and reasonable in the circumstances of this complaint.

I could well understand why Mrs D, representing Mrs C, was so frustrated by this problem. She was trying to do what should have been a simple transaction to give her daughter a present. Not only was she prevented from doing this, but she had a series of frustrating replies from NatWest which didn't give her a clear or rational reason for its actions.

I have seen no regulation which specifically prohibits banks from accepting cash deposits from a third party. Nor did NatWest clarify which regulatory rule it referred to. I noted that in NatWest's last letter to Mrs D, it said *"I am unable to quote the specific regulation. However we have made a commercial decision to ensure that we are meeting the regulations that are required of us. The regulation is in place to help keep our customers' accounts safe and secure."*

As a general principle, banks' security protection measures obviously can't be disclosed. But that wasn't what was at issue here. It was hard to see how paying £40 cash into someone else's account could be considered a significant security or money-laundering risk. So I considered that it would be fair to expect NatWest to have precisely and directly quoted any regulation which it believed stopped it from taking Mrs D's £40 deposit into Mrs C's account. For something of this nature, I found it was unreasonable for NatWest to have hidden behind "security" to avoid giving an answer. So I found that it couldn't have been a regulation which caused the bank's refusal to accept the deposit.

Banks can, however, take commercial decisions about services they will and won't offer. As Mrs D surmised, it seemed more likely that this is what's behind NatWest's policy. I asked the bank for more information.

NatWest sent us a copy of its internal instruction to branches from October 2017. This instructed staff that it would no longer accept cash deposits into personal accounts without the account holder's card or pre-completed paying-in slip. So the bank had changed its policy. It was entitled to make a policy change. But I asked how NatWest had communicated this to its account holders, and I asked for specific evidence that its account holder Mrs C had been notified.

NatWest told us that it didn't notify customers of the change in policy.

It did send us some text which it said was a copy of a poster. This said: *"If you are paying into a NatWest account and you are not a customer of NatWest, please make sure you have a valid paying-in slip from the account holder. Alternatively, you can send the payment automatically from your own bank or by visiting your own bank's branch."* NatWest didn't provide evidence that this had been displayed in the branch Mrs D visited, and there's no date on it. I also noted that this text didn't refer to cash deposits – it just says *"if you are paying in"*. And it's different from what Mrs D was told when she was turned away, because both the branch and the bank's final response letter talked about the account holder's debit card being used. So I found this was confusing. But in any case, not every account holder visits a branch regularly. And account holders who have someone else pay in for them are intrinsically less likely to be customers who visit a branch frequently. So I found this wasn't adequate as a way to let account holders know of the change in policy.

Although banks can make policy changes, it's necessary that they should communicate these changes. NatWest was entitled to take a commercial decision that it wouldn't accept cash deposits from third parties. But it should have communicated this and didn't. So I found NatWest was at fault.

This service can't force a bank to change its policies. But I can award compensation, for financial loss and / or distress and inconvenience. Compensation can only be paid to an account holder. Mrs C is the account holder here, and it was Mrs D who was the person most affected. But I accepted that Mrs C would have been upset, frustrated and inconvenienced by what her mother Mrs D had suffered throughout every stage of this complaint. So I can award compensation to Mrs C on that basis.

I looked first at the frustration, distress and upset caused by NatWest's failure to communicate its policy change. There was the initial upset when Mrs D was turned away at the branch. She couldn't do as she'd intended and give her daughter a present. I noted she'd paid the same amount into her other daughter's account with a different bank, so she wasn't able to treat her daughters the same.

There was also the upset because Mrs D said the branch told her the only option was to do a bank transfer. Mrs D didn't use internet banking, and I found it was reasonable that she shouldn't have had to. This meant that the only way for her to do a bank transfer would have been to walk to her own bank some distance away.

Mrs D also went to the trouble, and no doubt travel costs, of visiting 7 other banks to ask their policies. And she went to the trouble of writing to the FCA. I applauded her initiative and determination, and there's no doubt that it caused her both inconvenience and costs.

I went on to consider the impact of NatWest's response to the complaint. Mrs D wrote to senior levels within the bank, but she didn't get a reply which was – to use FCA's words – clear, fair and not misleading. As I've set out above, the bank relied on *"regulation"* but without being specific. This was unhelpful.

I also noted that the bank's letters set out a different policy from the one which the branch and policy document set out. The branch and policy document said that NatWest couldn't accept cash deposits into personal accounts without a card or paying-in slip. The letters said that NatWest couldn't accept cash deposits into personal accounts unless the account

holder is present with their card or paying-in slip. And the document which the bank told us was a poster is slightly different again.

Taking all these factors into account, I considered that NatWest gave Mrs C poor service and caused her distress, frustration and inconvenience. I found that a fair and reasonable amount of compensation for NatWest to pay Mrs C would be £150.

responses to my provisional decision

NatWest said it had no comments to make.

Mrs C and Mrs D said that they appreciated the thoroughness of the investigation. They were satisfied with the provisional decision and had nothing further to add.

my findings

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 see no reason to depart from my original conclusions.

my final decision

My final decision is that I uphold this complaint. I order National Westminster Bank Plc to pay Mrs C £150 compensation for its poor service, which caused distress, frustration and inconvenience.

NatWest must pay the compensation within 28 days of the date on which we tell it Mrs C accepts my final decision. If it pays later than this it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 29 October 2018.

Belinda Knight
ombudsman