Financial Ombudsman Service

complaint

M, a limited company, complains about the way Bank of Scotland plc closed its business account. It asks that Bank of Scotland pays compensation and corrects any harm to its credit records. It would also like an investigation and ruling against Bank of Scotland so this can't happen to other customers. M is represented by its director, who I will call Mr P.

background

M started trading in May 2015 and opened a bank account with Bank of Scotland. Mr P says payments were returned in June 2015. Bank of Scotland gave him inconsistent information about what was happening and whether the account was functional. He says it didn't follow the correct process and gave an incorrect reason for closing the account.

The adjudicator did not recommend that the complaint should be upheld, saying the compensation paid by Bank of Scotland was fair and reasonable. She said:

- Bank of Scotland gave 60 days notice to close the account. Payments were returned due to a block on the account as account facilities were no longer available to M.
- It's common for banks to open accounts based on initial checks with further checks following. Here, the further checks were delayed. This meant the closure notice arrived a few days after confirmation the account was open – and after M had given his clients the account details. Bank of Scotland paid £500 compensation for this.
- While Mr P disputes its reasons, Bank of Scotland was entitled to make a commercial decision to close the account.
- It was unlikely M could show any losses were solely caused by Bank of Scotland's errors.
- If Mr P wants a ruling against Bank of Scotland that applies more widely, he would be better taking the matter to court.

M did not agree. Mr P said the account was closed in breach of the banking code. Even if it wasn't, the block meant it was as good as closed. Payments couldn't be made into the account. He said Bank of Scotland paid compensation for closing the account, not for delays in making the checks. This showed it closed the account early. Compensation should be awarded on the basis of mediation to fully cost the impact.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

The account terms say Bank of Scotland can close the account by giving two months notice. It doesn't have to give a reason. Bank of Scotland wrote to M in mid June saying it would close the account after 2 months.

Mr P says Bank of Scotland breached the banking code and the account terms by closing the account before the end of the two months notice period. Having looked at the account records, I think the account was closed more than two months after Bank of Scotland gave notice to M.

Mr P says Bank of Scotland didn't follow the correct process when closing the account and gave inconsistent information about the account. It shouldn't have responded to his letters and emails or allowed him to order a cheque book. M was told in mid June that Bank of Scotland would close the account. I don't think M was caused loss or inconvenience by Bank of Scotland responding when contacted by Mr P.

Mr P says he was able to access the account online in mid June and received a letter saying the account was open. A few days later, a customer tried to make a payment which was returned and M received a letter from Bank of Scotland saying it would close the account. The account was restricted.

Bank of Scotland says it should have made account opening checks sooner. It apologised for telling M the account was open and ready to use and paid £500 compensation for the inconvenience caused. I think this compensation was for the inconvenience caused by delays in making account opening checks. In the circumstances, I think £500 compensation is fair and reasonable.

M says it lost contracts as a result of errors made by Bank of Scotland. But it hasn't provided evidence to support this, such as copies of the contracts and evidence they were cancelled due to problems with the bank account. This complaint is from M and I can only award compensation for M's loss. While I sympathise with Mr P's health problems, I can't award compensation to a third party. I don't think it would be fair and reasonable to require Bank of Scotland to pay further compensation.

Mr P says he wants a ruling that will prevent this happening to other customers. We are an informal dispute resolution service. We don't have the same powers as a regulator or a court. If M does not accept my decision, it will be free to raise these issues in a court. It can of course raise its concerns with the Financial Conduct Authority if it wishes to do so.

my final decision

My decision is that I do not uphold this complaint as I find the compensation paid by Bank of Scotland plc fair and reasonable in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 15 February 2016.

Ruth Stevenson
ombudsman