

complaint

Mr B complained because The Royal Bank of Scotland Plc closed his personal account on Christmas Eve 2013 without warning. Mr B has a small business and he was phoned on Christmas Eve morning by the company who financed his business, to ask why he'd cancelled his direct debit. Mr B said that if this firm hadn't phoned him, he would have incurred charges both for this and other direct debits. He had a difficult time trying to sort this out with RBS, and then setting up facilities with another bank, over the Christmas and new year period.

background

Mr B had a business and personal account with RBS. His business account had an overdraft of £8,000 and in spring 2013 the bank decided to withdraw this and asked Mr B for repayment. Mr B's offer to pay £100 per month wasn't accepted by RBS, so he contacted the debt advisor who had arranged a Debt Arrangement Scheme (DAS) for Mr B some years earlier. Mr B hadn't previously told the advisor about his business debt, or RBS about his other personal debts and the fact he had a DAS.

The advisor got in touch with RBS, and in August 2013 RBS wrote to Mr B, saying it would no longer provide banking facilities on either his business or personal accounts. The letter told him that if he didn't clear the balances, both accounts would be closed on 14 October, and that he should make other arrangements for his direct debits. It said that the accounts might be subject to the bank's default procedures.

The bank also wrote separately to Mrs B, who was a party to the business account, in similar terms about the business account. Mrs B was ill, and Mr B's advisor asked RBS if it would include only Mr B. In September, RBS wrote to say that as there was a DAS, the business account would need to be sent to the Recoveries department. The letter said that it wouldn't take any further action against Mrs B while the DAS agreement was in place and continued to be paid. The bank said it would continue recovery as normal if the DAS wasn't paid. Mr B's personal account wasn't mentioned.

So Mr B believed that as long as he carried on paying, there wouldn't be any further action. He continued to make his payments, and also started to try to arrange access to some pension funds so he could pay off the debts.

Mr B's debt advisor handled the negotiations for him, making several offers, the most recent of which was on 12 December. The debt advisor didn't get a reply.

On 24 December, Mr B found out that his personal account with RBS had been closed. He wasn't notified by RBS and only found out because he had a phone call from the company who financed his business, to ask why he'd cancelled his direct debit. Mr B immediately contacted the bank and recipients of other direct debits, and had a difficult time over the Christmas and new year period visiting his branch, and other banks to set up a new account.

RBS's response to Mr B's complaint was that under relevant law, a bank that had been told about a DAS couldn't contact its customer direct again. The bank also had a policy whereby a customer's accounts are linked, and if one is closed, others are too. The letter said Mr B's debt advisor should have kept him up to date. It said the August letter to Mr B warned him of closures, and that the September letter confirmed the accounts were going to recoveries. It said the bank had followed the correct procedures. Mr B complained to us.

Our adjudicator accepted RBS's statement that it wasn't legally allowed to contact Mr B direct after his DAS was in place, and had to contact his debt advisor instead. But she didn't agree that the bank had done enough. Following the August letter to Mr B, he'd reduced the overdraft on his personal account so he thought it would stay open after 14 October, which it did.

The adjudicator also noted that the bank's September letter to Mr B's debt advisor had only been about his business account, with the personal account not mentioned. So the debt advisor wouldn't have known the account would be closed, and couldn't have told Mr B.

The adjudicator concluded that RBS didn't act reasonably or give suitable notification of closure, and asked RBS to pay Mr B £250 compensation.

RBS didn't agree, saying Mr B should have stopped using all his accounts in August. It said that if it had closed Mr B's accounts on 14 October as described in the August letter, it wouldn't have been an error. It also said it had discussed the case with our Helpline and acted on that when writing its response to Mr B's complaint in January 2014.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint.

I accept that the appropriate way for RBS to contact Mr B after it knew about the DAS was through his debt advisor. I also accept that it was the bank's policy to close linked accounts at the same time as any account in default. But overall, I agree with the adjudicator that RBS didn't treat Mr B fairly and reasonably. This is because it didn't warn either him, or his debt advisor, that the personal account would be closed in December.

The August letter to Mr B said his accounts would be closed on 14 October, and I can understand why Mr B thought that no further action would be taken. Firstly, he reduced the personal account overdraft as the letter asked, and secondly, the September letter to his debt advisor says that *"should the DAS agreement cease for any reason we would look to continue recovery action as normal."*

Also, the September letter to Mr B's debt advisor only talks about the business account. The personal account number is nowhere on the letter.

I've considered RBS's three objections to the adjudicator's view. RBS says that Mr B should have stopped using his account after the August letter. But the August letter doesn't say this. I don't think the letter is clear enough about what would happen if Mr B reduced his overdraft, and in fact it specifically says the account will remain open if the excess is cleared.

RBS also says that, if it had closed Mr B's accounts in October as the August warning letter said, the result would have been the same and it wouldn't have been a bank error. But the bank didn't close Mr B's accounts in October, and in any event I've found that the August letter was misleading about what would happen if Mr B reduced his overdraft.

In relation to RBS's call to our Helpdesk, I'm satisfied that it related to closing an account on Christmas Eve, and wasn't based on any information about whether the bank had sent proper warning to the customer.

So I find that RBS should have notified Mr B or his debt advisor that it was going to close Mr B's personal account on 24 December, in order to give him time to make other arrangements. It was reasonable for Mr B to consider he'd acted sufficiently on the August letter, especially when the 14 October date he mentioned had lapsed by more than two months. The September letter doesn't mention the personal account at all, and in any case it was more clearly about the non-involvement of Mrs B than about a closure.

I consider that If RBS had given Mr B or his debt advisor proper notice and then acted on it in a timely way, a closure on 24 December would have been acceptable. But it didn't, and holiday closures made it very difficult for Mr B to try to find out what had happened, and make alternative arrangements with another bank. I find it was particularly inappropriate when Mr B's debt advisor had for some time been trying to agree a settlement figure to pay off the business debt and hadn't had a reply from RBS. So I find the bank didn't treat Mr B properly and I award £250 compensation for the trouble and upset he suffered.

my final decision

My final decision is that I order The Royal Bank of Scotland Plc to pay Mr B £250 compensation for the trouble and upset he suffered.

Belinda Knight
ombudsman