

The complaint

P, a limited company complains that a mistake by The Royal Bank of Scotland Plc (RBS) led to financial losses.

P wants RBS to pay compensation. P is represented in its complaint by a director, Mr G.

What happened

P has a business bank account with RBS. In late November 2022, RBS incorrectly applied a restriction to P's account. P says that because of this, it couldn't pay staff on time, direct debits were cancelled, charges applied and it lost out on a contract due to start the following week. Mr G says the restriction effectively put P's business on hold.

Before this service became involved, RBS refunded charges that it applied for unpaid items and offered P £400. RBS said it would review evidence of P's losses incurred because of the restriction.

After considering the evidence provided by P, the first investigator told RBS that he thought its mistake meant that P couldn't fulfil a contract where work was due to start on 29 November 2022. The investigator told RBS that the loss of profit to P was around £28,860 and asked RBS to pay this to P together with the £400 already offered.

RBS disagreed with the investigator's recommendation. It pointed out that the supplies were delivered to P's customer on 24 November so couldn't understand why work couldn't start on 29 November 2022. RBS said the restriction on P's account was lifted on 1 December 2022 so it could have bought supplies from this point. And it doubted that another party could have completed the work between the restriction being applied and then lifted.

RBS didn't think P had taken steps to mitigate its losses despite Mr G having access to substantial personal funds.

RBS said P had given contradictory information about the cancellation of the contract and that it now seemed it was P's choice to cancel the work – and not its customer. RBS didn't think P had provided sufficient evidence of the loss of profits.

P went on to provide further evidence of its losses to the investigator who then left the Financial Ombudsman Service. A new investigator considered P's complaint and reached a different conclusion to the first investigator.

In summary, the second investigator thought that RBS' offer of £400 compensation together with the waiving of any fees was reasonable. He noted that RBS placed the restriction on P's bank account on 28 November 2022 and then lifted it on 1 December 2022. When Mr G contacted RBS on 29 November 2022, it said the restriction would be removed in two days – which it was. The job was due to start on 29 November and at this point P still had access to its supplier's purchasing account.

The second investigator noted the terms of P's contract with its customer gave a 14 day

cancellation period from the date of signing – 2 November 2022. P's customer was outside this period. The contract also provided that any notice of cancellation should be in writing.

Overall, the second investigator didn't think P had taken steps to try and reduce its losses and he didn't think that RBS' actions led directly to P's losses.

Mr G is very unhappy with the second investigation outcome. He can't understand why the second investigator hasn't found in P's favour after the first investigator did. Mr G says he's given us everything that we asked for and points out that P's complaint has been going on for more than nine months.

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.

I realise that I've summarised P's complaint in less detail than the parties and I've done so using my own words. The rules that govern this service allow me to do so. But this doesn't mean I've not considered everything that both parties have given to me. I can also understand Mr G's disappointment with the second investigation outcome, particularly after he has spent considerable time and effort providing evidence to us.

RBS agrees that it made a mistake when it restricted P's account, so my decision focusses on whether compensation of £400 together with the waiving of fees, goes far enough to put things right. It will disappoint P but I agree RBS' proposed resolution is fair and I will explain why.

Mr G says P couldn't start work on the contract because of problems buying materials due to the account restriction. I don't doubt the challenges P faced but given the value of the contract which it stood to lose – I would have reasonably expected it to try other avenues to allow it to complete the work. The taking of steps to reduce a loss is also known as the mitigation of loss. P could have done this through accessing other funds such as taking a director's loan or using the director's personal bank account to make payments.

I understand that Mr G didn't want to access his personal money but the evidence from RBS indicates that he had substantial funds in place to lend to P. The statements provided by RBS show that Mr G sometimes moved money online from his current account to a savings account and back again. So, it appears that Mr G could have made funds available to P, which would then have allowed it to complete the work as contracted.

I also note that P's supplier didn't place its' purchasing account on stop until 1 December 2022. As P was due to start work on the contract on 29 November 2022, it's difficult to see how the stop on the purchasing account would have impacted the supply of materials before 1 December 2022.

Mr G says that P's supplier didn't remove the restriction until 7 December 2022 and has provided written confirmation of this. As RBS removed the restriction on P's account on 1 December 2022, it would have seemed possible to get the supplier restriction lifted more quickly by paying any outstanding balance. Again, I can't find that RBS was responsible for P not having access to its supplier account until 7 December 2022.

Although Mr G says that P orders materials once it arrives on site, it should have still been able to use the purchasing account until the supplier placed a stop on the account on 1 December 2022. And for the reasons outlined above, if P had needed to buy materials from different suppliers, it could have tried to use an alternative bank account to do so. As I don't

have evidence to suggest that P made alternative arrangements, it makes it difficult for me to find that RBS should be held responsible for the alleged loss of profit.

I've also listened to the recordings of calls which took place between Mr G and RBS on 29 and 30 November 2022 and 1 and 2 December 2022. Although Mr G tells RBS that P needed access to money to pay workers, buy fuel and generally run the business of P, he doesn't say that he has or will have to cancel the specific customer's contract. I would have reasonably expected Mr G to relay this information to RBS during one of those calls but can't hear that he did. Without this, I don't think RBS could have been aware of exactly how urgent the lifting of the restriction was.

At the end of the day, it was Mr G who told P's client that due to a lack of funds P could not complete the work on time. This was Mr G's choice to make on P's behalf but I don't think losing the contract was an inevitable consequence of RBS restricting P's account. Particularly as under the terms of the contract, P's client was outside the period in which it could cancel the contract.

I am sorry to disappoint Mr G but for all the reasons I've outlined above, I don't consider it reasonable to require RBS to compensate P for any loss of profits that it says it incurred.

RBS has already refunded any charges which P incurred due to the account restriction so I don't think I need to say more about this. I can see that Mr G spent time discussing the restriction with RBS over the course of a few days at the end of November into early December 2022. I assume that this diverted him away from running the business of P. I consider RBS offer to pay £400 fairly reflects the inconvenience caused to P. The amount offered sits in the range of award we might make where a mistake has caused significant inconvenience to sort out. And where the impact has lasted over several weeks or months or has had serious repercussions in the shorter term – as is the case with P. Our approach to awards of compensation can be found on our website.

My final decision

RBS has already made an offer to pay £400 to settle the complaint and I think this offer is fair in all the circumstances. So, my final decision is that if it hasn't already done so, The Royal Bank of Scotland Plc should pay P £400.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 26 October 2023.

Gemma Bowen
Ombudsman