

The complaint

N, a limited company, complains that the National Westminster Bank Plc unreasonably closed their accounts, and withheld the remaining funds. They would like to be compensated for their losses.

What happened

N is represented by their director. They held business accounts with NatWest, but in October 2022 they found that they could no longer access them. They contacted the bank, only to be told that a letter was sent in August 2022 saying the accounts would be closed in 60 days' time, and this deadline had now expired.

But N were adamant they hadn't received the notice of closure and complained to NatWest. They said given the seriousness of the closure notice the bank should have used other channels to get in touch. NatWest responded to say they had closed N's account in line with the terms of the account and they'd sent the correct notification. They apologised for the letter not being received, and said they'd provide feedback to the relevant team on using alternative methods.

Unhappy with this N referred their complaint to our service. They said they'd been having difficulties retrieving the funds in the account. Without access to the funds, they'd had to borrow to make essential payments. Without an account N had difficulty in receiving funds from their card payment processor. NatWest said they were still carrying out checks on the account. N eventually received the remaining funds on 10 February 2023.

One of our investigators looked into what happened and felt the complaint should succeed in part. They said that NatWest were entitled to close N's account, and they were satisfied that the notice had been sent correctly. So, the bank had met their obligations under the terms to N.

But the investigator didn't think it was fair for NatWest to delay returning the funds to N. They didn't think NatWest had followed their processes correctly. They suggested that the bank pay 8% simple interest per annum on the period N was without their funds. They also recommended N receive £750 compensation for the damage to their reputation when they were unable to make regular payments.

NatWest accepted this as an outcome. But N rejected it, saying they didn't think NatWest had demonstrated they'd sent a closure notice. They said that their losses were considerably higher and didn't think the award reflected that. But this didn't change the investigators' mind. As no agreement could be reached the complaint was passed to me to decide. I reviewed the file, and issued my provisional decision, which said:

Closure of the accounts

NatWest have broad commercial discretion to decide who they provide accounts to. This means that they can, on occasion, decide that they no longer wish to provide accounts and proceed with closing them. For this reason, it would be rare our service would recommend

an account be reopened without very good reason. Instead, what we look to see that the reasons for closing the account are reasonable, and the closure is in line with the terms.

NatWest aren't under any specific obligation to explain to N why they have closed an account, and in this case have declined to do so. They have provided their reasoning to our service, which I'm satisfied that due to its commercial sensitivity our service can treat it in confidence. Having reviewed the reasoning, I'm satisfied that NatWest haven't been unreasonable or unfair in their decision to close N's account. In this case the terms of N's account with NatWest allowed them to close the account for any reason, so long as they provide at least 60 days' notice. This is in line with standard industry practice, and generally thought to be a reasonable amount of time to make alternative banking arrangements.

N have said they didn't receive any notice. But NatWest have provided us with a copy of the letter sent, dated 16 August 2022, stating the accounts will close on 15 October 2022. They've also provided us with system notes showing this is the date the letter was generated. The letter is addressed to the correct business address for N, which is the same address supplied to our service. So, I'm satisfied it's more likely than not the closure notice was sent, as per the terms.

I accept though that N likely didn't see this notice, as it's clear they hadn't taken any steps to mitigate the impact of the impending closure. I can't be sure why they didn't see the notice, but I can't see would have been down to any error by NatWest as they had likely posted the letter correctly. I've considered what N has said about NatWest trying other communication methods to let them know their account was to close. And I agree this would have been helpful in this instance. But NatWest have met their obligation to N under the terms by posting the notice, so they haven't been unreasonable in only doing so. They wouldn't be aware N hadn't seen the notice. As such I don't see that NatWest are responsible for any inconvenience that flows from N not seeing this notice.

Withholding of funds

The notice period given should also have enabled NatWest to carry out any further checks they needed to before the account closed. NatWest originally asked N to fill out a specific form to get their funds released but have later accepted that this form wasn't necessary. NatWest also originally advised N they had up to 60 days to release the funds, but I don't see this as reasonable. So, I'm not persuaded it's reasonable for NatWest to have continued to hold on to N's remaining funds – which were approximately £13,000 – for as long as they did.

I've gone on to consider the impact from this on N. I can see that N had arranged alternative banking facilities by 20 October, so five days after the initial closure. And I can see that NatWest had enough information to release the funds by 26 October 2022. So, as a starting position I'd see this as the latest N should have had use of the remaining funds.

The general approach of our service is that when a bank has made an error, we try to put the complainant back in the position they would have been in otherwise. When a complainant hasn't had use of their funds they should have, we'd generally award 8% simple interest per annum on the value of the funds. It's not possible for us to reconstruct every financial decision N made during this period, to calculate the true impact. So, the awarding of 8% interest is to reflect the overall loss of use of these funds for that period. I'm satisfied that it's appropriate for NatWest to pay N this interest for this period.

I've considered the information N has provided about payments that were missed during this period, and I accept the late return of funds likely had an impact on N's ability to pay their suppliers. And it's likely to have had a degree of reputational damage because of this. N has

shown they received informal loans to cover some costs in the short term. But I note that N hasn't been able to provide any agreements to show the costs or terms of these loans.

Likewise, N hasn't demonstrated there were any penalties applied for late payments to the suppliers or for rent. So, I can't see there were any specific losses from this, and certainly nothing in the scale that N is suggesting they suffered. I also note that the amount borrowed, and the value of the costs N has shown our service, is greater than the amount being withheld by NatWest. So, I'm not persuaded the delay in releasing these funds is the sole reason for the difficulties N had.

From what N has sent us, there appears to have been an issue with their merchant acquirer transferring which account they were to pay funds out to. This wasn't resolved until 15 November 2022. But as mentioned above, I'm satisfied that it was reasonable for NatWest to close N's account on 15 October 2022, and it wouldn't be fair for me to hold the bank liable for problems transferring funds from the merchant acquirer.

I accept though, that NatWest unreasonably withholding the funds from N will have contributed to the disruption to their business, and for any damage to N's reputation with their suppliers. On that basis I think it's appropriate NatWest pay some compensation. Overall, taking in to account the full facts of the case, I'm persuaded that £300 is a reasonable amount.

NatWest responded to say they had nothing further to add. N did not respond before the deadline. As such, it now falls on me to issue my final decision.

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.

In the absence of any new arguments or points to consider, I remain satisfied with the findings from the provisional decision.

I remain satisfied that the closure of the account with is line with the terms, and the agreed notice was likely given by NatWest. It is unfortunate that N didn't see the notice, but I do not consider this down to any error or mistake on NatWest's part.

However, I see that it wasn't necessary for NatWest to hold on to N's funds for as long as they did – I've seen no reasonable justification for this. In the circumstances I think it's right that NatWest pay N 8% simple interest per annum for the period in which they didn't have access to their funds.

On the further impact, I've seen nothing to suggest there were any financial penalties to N for any late payments. But I agree it's likely to have impacted their reputation with their suppliers. But I'm minded that this isn't solely down to the restriction of the remaining funds with NatWest, but also the difficulty in getting funds from the merchant acquirer. So, I'm persuaded that £300 is a reasonable amount of compensation to reflect the impact of the withholding of funds.

Putting things right

To put things right NatWest should:

- Pay 8% simple interest per annum on the balances unreasonably held by NatWest between 25 October 2022 to 10 February 2023.

- Pay N £300 compensation.

In NatWest consider that they should deduct tax from the income award, they should provide N with a certificate to show how much was taken, should N ask for one. N can then reclaim this from HMRC if they are eligible.

My final decision

My final decision is that I uphold this complaint, and direct National Westminster Bank Plc to resolve the complaint as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 27 May 2024.

Thom Bennett
Ombudsman