

The complaint

Mr S complains that The Royal Bank of Scotland Plc blocked and closed his account without providing an explanation or warning. Mr S says this caused him unnecessary inconvenience, missed direct debit payments, and worry for which he should be compensated.

What happened

Mr S had an account with RBS.

In May 2022, RBS decided to review how Mr S was operating his account. Whilst it conducted its review the bank blocked Mr S's access to his account, this meant Mr S couldn't access the funds in the account or his online banking.

Mr S discovered that his account was blocked when he tried to view his account online, and his bank card stopped working when he tried to use a cash machine. He's explained that he went into a branch to try and find out what was happening with his account. He said when he did, the staff were unhelpful and would only tell him to expect a letter from the bank within a few days. Mr S made further trips to branch to try and find out what was happening and gain access to the money in his account. But each time he visited he was told to expect a letter and that his account would return to normal within a couple of days.

Mr S's account was blocked between 26 May 2022 and 10 June 2022. At the time the balance of his account was around £1,300 and direct debits were due to leave his account to pay utility bills. Due to the block Mr S's direct debits weren't paid. Following its review, RBS decided to close Mr S's account. The bank wrote to Mr S in June 2022 giving him two months' notice that he'd need to make alternative banking arrangements.

Mr S complained to RBS about the block and closure of his account. Mr S said he was very upset and frustrated by RBS blocking and closing his account. He also explained that his credit file had been impacted due to missing his direct debits because RBS blocked his account and that he had to spend time setting up a new account with another bank and contacting his utility companies to sort things out.

In response, RBS apologised for causing Mr S any inconvenience, but it said it hadn't done anything wrong when it blocked and closed Mr S's account. And it had done so in line with the account terms and its regulatory obligations. Mr S wasn't happy with this response, so he brought his complaint to our service where an investigator considered it.

The investigator asked RBS to provide more information about why it had blocked and closed Mr S's account. But RBS said it couldn't provide anything more than it had already provided to us. RBS also said that it was entitled to block and close Mr S's account and had written to Mr S to let him know that his direct debits wouldn't be able to be paid from his account due to his account being blocked.

The investigator also asked Mr S for more information about his circumstances at the time his account was blocked and the impact of the bank's actions on him. Mr S said he spent

time sorting out payments with his utility companies and had to spend his lunch hour opening a new bank account. He didn't provide anything further regarding his credit file.

The investigator said that based on the limited information the bank had provided, she couldn't say the bank had treated Mr S fairly when it had blocked and closed his account. So, she said RBS should pay Mr S £200 compensation together with 8% interest on the balance of his account for loss of use of funds whilst his account was blocked. RBS disagreed and said it was entitled to block and close Mr S's account.

As no agreement could be reached the matter has come to me to decide.

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.

RBS have important legal and regulatory obligations they must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's common industry practice for firms to restrict access to an account to conduct a review on a customer and/or the activity on an account. The terms of Mr S's account also permit RBS to block an account. This means RBS is entitled to block and review an account at any time.

Banks are also entitled to end their business relationship with a customer, as long as this is done fairly, doesn't breach law or regulations and is in keeping with the terms and conditions. In this instance the terms of Mr S's account say that in certain instances RBS can close the account with immediate notice and by providing 60 days' notice. The terms also state that RBS doesn't have to provide a reason for doing so. RBS wrote to Mr S in June 2022, giving him two months' notice that it was closing his account and that he'd need to make alternative banking arrangements.

Mr S wants RBS to explain the reason it applied the block to his account and then closed it. I can understand why Mr S wants the bank to give him a proper explanation, it can't be pleasant being told you are no longer wanted as a customer. But RBS doesn't disclose to its customers what triggers a review of their accounts. It's under no obligation to tell Mr S the reasons behind the account review and block, as much as he'd like to know. It's also under no obligation to provide Mr S with the reasons it no longer wants him as a customer. So, I can't say it's done anything wrong by not giving Mr S this information. And it wouldn't be appropriate for me to require it do so.

However, RBS needs to provide information to this service so we can fairly decide a complaint. Despite being asked by the investigator, RBS has failed to provide information about why it blocked Mr S's account and the reasons why it no longer wanted him as a customer. I've considered what RBS has said about why it won't provide further information to our service about the reasons it blocked and closed Mr S's account. This service has the power to request evidence of this nature under the dispute resolution rules (DISP) and I'm not persuaded the reasons given by RBS exclude it from complying with these rules. So, in this particular case, because of the lack of information I can't be satisfied that RBS has treated Mr S fairly when it blocked and closed his account. Taking this into account, I agree with the investigator that RBS should pay Mr S compensation for the trouble and upset caused by blocking and closing his account.

Mr S has explained that when he discovered his account was blocked, he visited a branch to try and find out what was happening. He says that when he did staff wouldn't give him much information and simply told him to expect a letter that would explain things. And that he'd be

able to use his account within a few days. But Mr S's account remained blocked for around two weeks. So, he had to revisit a branch. But each time he was given the same explanation, until his account was unlocked on 10 June 2022.

Having considered what Mr S has told us about how the block and closure of his account impacted him I've no doubt this was a worrying and upsetting time for him. He wasn't able to access the money in his account for just over two weeks and had to arrange to pay his direct debits over the phone. He also had to go to the trouble of visiting a bank branch on more than one occasion when his account remained blocked for more than a few days. Having considered the impact on Mr S and taking into consideration the available evidence, I'm satisfied that the block and closure of his account has caused Mr S some trouble and upset. Therefore, I think he should receive compensation for this. I'm satisfied that £200 compensation recommended by the investigator is a fair amount of compensation and proportionate to the trouble and upset Mr S was caused. I also think RBS should pay Mr S 8% simple interest on the sum of his account for loss of use of his funds during the time his account was blocked.

Finally, Mr S has said his credit file has been negatively impacted because his direct debits went unpaid due to the block on his account. Whilst I accept what Mr S says and understand his concerns, I haven't seen any evidence that RBS's actions impacted his credit file, led to Mr S suffering any financial loss or meant he couldn't apply for another account. So, it wouldn't be appropriate for me to award compensation for something there is no evidence of. In reaching this conclusion, I've kept in mind that Mr S had to go to the trouble of sorting out his direct debits manually, but I'm satisfied that the compensation recommended compensates Mr S for this. So, I haven't found grounds to increase the level of compensation.

My final decision

For the reasons I've explained I uphold this complaint and direct The Royal Bank of Scotland Plc to put things right by doing the following:

- Pay Mr S £200 compensation for the trouble and upset caused by the bank closing and blocking his account
- Pay Mr S 8% simple interest on the sum of his account from 26 May 2022 until 10 June 2022

HM Revenue & Customs requires The Royal Bank of Scotland Plc to withhold income tax from the above-mentioned interest. The Royal Bank of Scotland Plc should give Mr S a certificate showing how much is taken off if Mr S asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 November 2023.

Sharon Kerrison
Ombudsman