

The complaint

A partnership which I'll call 'B' complains that National Westminster Bank Plc ('NatWest') treated them unfairly by restricting access to their account and then applying a default notice to their credit file.

What happened

B held a business current account and business loan with NatWest.

B told us:

- NatWest had negatively affected their credit rating by chasing the partnership for loan repayments which weren't due and unfairly applying a default in May 2022.
- The bank had restricted their account without reason in October 2021 and returned the payments which had been credited to it.
- They couldn't make payments to the loan (or receive refunds on overpayments if due) as their business account had been closed.
- They'd been caused distress and inconvenience as a result of the bank's actions.

NatWest told us:

- It needed to undertake a customer 'due diligence' review to ensure the information it held for B was accurate, however it had written to B on several occasions between August and October 2021 - but hadn't received a response.
- It wrote to B in December 2021 giving sixty days' notice that their account would be closed if it didn't receive a response. As B didn't reply, the account was closed which meant any credits received were returned and regular payments weren't paid as the account wasn't active.
- B hadn't made loan repayments as expected and in May 2022, they were around £34,000 in arrears so it had fairly defaulted the loan and recorded this on the credit file.

Our investigator didn't recommend the complaint be upheld. He said that NatWest had undertaken a review of B's account and requested further information which hadn't been received within the required timescales. He also said that NatWest had applied a restriction and then closed B's account in line with the account terms and conditions, and that the partners had been given a reasonable opportunity to make the loan repayments using an alternative method. However as they hadn't done so, the default had been fairly recorded.

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.

Having done so, I've decided not to uphold it. I'll explain why.

B says that NatWest has treated them unfairly by restricting and then closing their account as a result of the due diligence review. But I don't agree. NatWest has regulatory obligations

to ensure that it has sufficient knowledge of its customers, and that it is also protecting its customers adequately. I've seen that NatWest contacted B three times over a three-month period to obtain the information it needed - but it didn't receive a response. As the bank wasn't satisfied it could meet its regulatory obligations, it gave B warning that it would restrict and then close their account. I've also seen that in December 2021, NatWest gave B sixty days' notice that it would close the account which was in line with its terms and conditions. I think this was reasonable.

B told us that as a result of NatWest's actions their loan monthly payment was cancelled and the funds returned, so they weren't able to make their monthly repayments as planned. However, I've seen that when the bank wrote to B in August, September, and October it said that if it didn't receive the requested information before the deadline given, it would restrict access to the account which meant, amongst other things, that any standing orders wouldn't be processed. NatWest also explained in the December letter, that when the account was closed this would mean any direct debits or standing orders would be cancelled and B would need to make alternative arrangements. So I think B ought reasonably to have been aware that from October 2021, their loan repayment wasn't being paid from their NatWest account as they hadn't provided the requested information to the bank.

B also says it was unfair that NatWest had defaulted their loan as they had tried to speak to the bank about the outstanding balance - but hadn't received a response. But I'm not persuaded that's the case. I've seen case notes which show NatWest called B four times in December 2021 to discuss the loan, it then sent further letters in December 2021 and January 2022 asking B to make contact and providing a specific business management person for the partners to speak to. I haven't seen any evidence that B attempted to contact the bank at this point despite the letters saying it would take further action to recover the outstanding debt.

B also says that it attempted to make repayments to the loan and contacted the bank before the default had been applied to say they wanted to do so. However I haven't seen any evidence that they tried a manual payment or set up payments from another account to ensure they were meeting their contractual loan payments after they became aware the NatWest account was restricted and that funds had been returned. And it wasn't until March 2022 that the partners first contacted the bank about the repayments, by which point the account was already nearly six months in arrears.

I acknowledge B says that they didn't receive the letters from NatWest. However, that's not something I can hold the bank responsible for. I can see the bank sent at least six letters (not emails as B has asked us to confirm this) asking the partners to contact it, and all were sent to the address it held on file – which is the same address provided on their correspondence to the bank. I've also seen that NatWest repeatedly tried to call B on both the business and mobile numbers and left messages but didn't receive a response.

I understand that B may also not have received these calls as their contact numbers may have changed, however it's the responsibility of the account holder to keep their details updated. Furthermore, even if B wasn't aware the account was restricted due to not receiving the letters, they have told us they received the loan repayments back due to the account closure, so I think they ought reasonably to have been aware that there was an issue with the loan repayments and contacted the bank sooner. So based on what I've seen I think NatWest did make reasonable attempts to contact B to discuss their loan before the default was applied.

I recognise that B's partners feel strongly about this and will be disappointed with my decision. But based on everything I've seen I don't think NatWest did anything wrong in closing B's account or the actions it took in both making and as a result of that decision. So I won't be asking it to do anything more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 28 July 2023.

Jenny Lomax
Ombudsman