

## **The complaint**

Mr and Mrs W complain that National Westminster Bank Plc restricted their joint account and recalled some payments out of it when it was notified that Mr W had entered into an individual voluntary arrangement (IVA).

## **What happened**

In January 2023, Mr W entered into an IVA. NatWest received notice of it on 24 January. It wrote separate letters to Mr and Mrs W advising them that their joint account had been restricted and that it couldn't be used for any payments in or out. Mr and Mrs W had transferred around £900 into Mrs W's sole account on 25 January. NatWest recalled those payments which meant that Mrs W went overdrawn on her account. They advised that their Insolvency Practitioner had notified NatWest that he had no interest in the joint account and produced a copy of a letter to that effect, which had asked NatWest to unblock the account.

NatWest advised that its policy is to freeze all the customer's accounts once it receives notice that the customer is insolvent and that the joint account debt became part of Mr W's overall debts which had to be repaid as part of the IVA. It said that it had not received the letter from the Insolvency Practitioner and in any event the practitioner had no authority to require the NatWest to unblock the account or not include it in the IVA. It apologised for the fact that Mrs W went overdrawn.

On referral to the Financial Ombudsman Service our Investigator said that he didn't think that NatWest had done anything wrong or acted unfairly.

Mr and Mrs W did not agree. They pointed out that they had only had 24 hours' notice of the IVA. And, had they known, they wouldn't have put money into the joint account, which they had been doing.

The matter has been passed to me for further consideration.

## **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.

When a person enters into an IVA they will produce a statement of their debts and liabilities. This includes joint debts. A debt can be excluded from an IVA, but usually only with the consent of all the person's creditors. At the time of notification, the account was £1,700 overdrawn. So effectively any payments out of the account would be borrowing from an insolvent account.

As regards the letter sent by the Insolvency Practitioner, I assume in reaction to NatWest restricting the account, I note this was dated 25 January. And NatWest's letters to Mr and Mrs W advising them of the restricting of the joint account were also dated 25 January. I haven't seen any confirmation from the Insolvency Practitioner that it sent the letter but if it had done I don't think it had any authority to require the joint account to be

excluded from the IVA. This is especially bearing in mind that it was overdrawn.

I note that Mr and Mrs W took steps to move money into Mrs W's sole account. They say they only had 24 hours' notice of the IVA but Mr W would have been involved in the preliminary stages of applying for the IVA. Indeed I note that it was effective as from 4 January 2023. They should have been advised to make arrangements for income such as a salary to be paid into another account.

All these steps should have been advised to Mr W by his Insolvency Practitioner, particularly what debts can be included or excluded from an IVA.

I understand that Mr and Mrs W would have been distressed to find that the money paid into her account was recalled by NatWest. I understand that it would be upsetting for Mrs W to go overdrawn because of this, although I note that this was only for a few days. However under the terms and conditions of the account and the regulations around the setting up of an IVA, NatWest was entitled to do this.

Mr and Mrs W queried what would have happened had Mrs W's account not been with NatWest. I would think that if it had been paid into a different bank, NatWest would still have been able to recall the money. If it had been taken out in cash this would likely be a breach of the terms of the IVA and Mr W would have been asked to repay the money.

So overall, I think that NatWest acted appropriately in respect of restricting Mr and Mrs W's joint account and in recalling the payments out of it.

### **My final decision**

I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W and Mrs W to accept or reject my decision before 11 December 2023.

Ray Lawley  
**Ombudsman**