

The complaint

E a company, complains that National Westminster Bank Plc blocked and closed its account without reason. E lost a contract as a result and would like compensation.

E is represented by its director Mr S.

What happened

The facts which led to E bringing its complaint to our service are well known to both parties, so I am not repeating them in full here.

In summary, E had a business account with NatWest.

Following a review in March 2022 Mr S was asked to provide information in respect of E. Mr S provided the information.

E's account was blocked between 19 July 2022 and 15 September 2022.

E received a letter dated 15 September 2022, giving 60 days' notice to close the account. E's account would close on 14 November 2022.

Mr S on behalf of E said that the block on the account had cost E a very lucrative contract of £150,000 and he had to let staff go. He also couldn't access his bank statements because his account had been closed.

Mr S complained to NatWest. It said it was entitled to block the account and was complying with its legal and regulatory obligations. It could block the account in accordance with the terms which had been agreed to by E when it opened the account.

E complained to our service. One of our investigators looked into the complaint. He said NatWest were entitled to block and review the account. It hadn't done anything wrong. He agreed that E had lost out on a contract as a result of the account being blocked but he thought that as the block was fair E couldn't recover its losses from NatWest.

Mr S was unhappy with the view he said as a business customer he was left with no account and couldn't trade. Mr S says he was assured that the closure of his personal account wouldn't affect the account of E. E had suffered a loss as a result of the block on its account but had received no compensation.

As there was no agreement 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.

Account block and closure

I'll start by setting out some context for the review of E's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied NatWest were complying with these obligations when they reviewed E's account and asked Mr S to provide information about how E was operating its accounts.

NatWest blocked the account during its review. I can see that in blocking the account the bank were following an internal process which they carried out in order to comply with their legal and regulatory obligations. The terms and conditions of the account allow NatWest to do so. This was a legitimate exercise so I can't say NatWest was unfair.

While NatWest are entitled to carry out a review, we'd expect them to do so in a timely manner and without undue delay. I recognise Mr S may think the overall time NatWest took to complete its review was excessive. But I do not consider that it would be right for me to conclude it should not have taken in excess of any particular or specific timeframe. Because the bank was entitled – as a matter of principle – to do what it did. I'm also satisfied from looking at the available information that NatWest were proactive in completing its review from the time it blocked E's account. So, I can't say NatWest has treated E unfairly in taking the time it did to complete its review.

NatWest wrote to E giving it 60 days' notice of closure of the account. It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

Banks should, however, give reasonable notice before closing an account. Usually that means 60 days' notice, but it can be less depending on the circumstances. I can see that NatWest wrote to E on 15 September 2022 and let it know it was closing E's account giving 60 days' notice. Having looked at the evidence and the account terms I'm satisfied NatWest closed the accounts in line with the account terms.

I know Mr S has said he wasn't given a reason or warning that E's account would close. He has also said that he specifically asked if the closure of his personal account would affect E's account.

I understand that Mr S wants NatWest to explain the reason it applied the block to E's account and subsequently closed it. And provide him with the information it relied on to do so. But NatWest doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr S the reasons behind the account block, as much as he'd like to know. 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 to do so.

Mr S wanted to be told if the review of his private account would affect E's account. And he's unhappy that he was told it wouldn't affect E's account. NatWest aren't obliged to disclose when a review will take place. I know Mr S would have wanted to be told that E's accounts would be blocked and later closed but NatWest aren't obliged to warn Mr S so I don't think they have done anything wrong.

Mr S has provided documentary evidence to this service that E lost out on a contract for between £80,000 and £100,000 specifically because E's account was blocked. I appreciate this was a very difficult time for Mr S. I have looked at the block on the account and the evidence provided by NatWest. I am satisfied that the block was fairly applied, and NatWest

did nothing wrong in blocking E's account. This means that although I recognise that E has suffered losses these losses cannot be recovered from NatWest because NatWest acted fairly in blocking and later closing the account. I also think E was under a duty to mitigate its losses by finding another account in order to carry out its business purposes. It follows I won't be awarding compensation for the loss of business to E.

My final decision

For the reasons mentioned above I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 12 April 2024.

Esperanza Fuentes
Ombudsman