

The complaint

G, a limited company complains that National Westminster Bank Plc (NatWest) mis-sold it a business bank account in 2005.

G wants NatWest to refund the charges that it deducted from the account.

Mrs F, a director of G, brings this complaint on G's behalf.

What happened

In 2005, NatWest opened three bank accounts for G, one of which was to receive rent payments from its clients. At the time, NatWest opened the account as a business current account which meant that it applied charges to the account.

In 2019, new regulations came in which meant that G had to sign up to a client money protection scheme. G asked NatWest to provide a letter confirming that the rent payments were paid into a client money protection account. NatWest said that it could not provide the letter as the client account it was using was not protected. NatWest said that G needed to open a client deposit protection account.

NatWest told G that the client account it had been using was incorrect and that G should not have been paying charges to use the account. NatWest said it would refund the charges to G.

After considering things further, NatWest told G that the account it had been given originally was the correct account so it was not going to refund any charges. However, to apologise for giving G incorrect information, NatWest paid £500 compensation.

G is unhappy that NatWest deducted charges from the account it used to receive rent payments. G points out that since 2019 it has not been paying charges on the new client deposit account.

NatWest told G that the original business account was suitable as G was also using the current account to make debits, evidenced by the direct debits set up in 2018. G also says that various business managers told them that it was standard practice to apply charges to the client account.

Our investigator didn't recommend that G's complaint be upheld. In summary she said the client deposit account which G opened in 2019 was not available until 2008. Our investigator said she was satisfied that the business current account which G opened in 2005 was suitable and that it was marked on NatWest's systems to show it held client funds.

Our investigator thought NatWest had correctly applied charges to the account in line with its terms and conditions and G had been aware of these charges for many years.

Our investigator thought that it wasn't until 2019 that G decided the business account wasn't suitable, as at this time new legislation was introduced which required businesses such as G to provide evidence that client money was protected. At that time, NatWest incorrectly told G

that it should not have been paying charges for an account holding client money and that it would refund the charges. NatWest also refused to issue G with a client money protection letter.

Our investigator thought NatWest's compensation payment of £500 in early 2023 for failing to provide the client money protection letter in 2019 and for mistakenly saying the business account was incorrect and that charges would be refunded, was fair. She didn't ask NatWest to do anything further to put things right.

Mrs F is unhappy with the outcome. She points out that NatWest paid G £500 compensation because of the length of time it took to consider G's complaint. She asks whether prior to 2008 all letting agents had accounts from which banks could deduct client money.

Mrs F says that the business current account has never been a ring fenced client money protected account. Mrs F says G complained about the charges on numerous occasions to bank managers. Mrs F says NatWest failed to switch G to the client deposit manager account once it became available in 2008 and that under FCA rules requiring banks to avoid fees – this was unfair.

NatWest doesn't agree that it has done anything wrong. It explains that when G opened the business bank account in 2005, the client deposit account didn't exist.

NatWest launched its client deposit manager account in July 2008. NatWest says that if G had queried its product range, the relationship manager would have discussed possible options or it would have provided product information. NatWest says that none of its products are advised sales and it would not advise a customer to change their account.

NatWest also points out that G used the business account as a current account rather than just for client funds, as evidenced by the fact it was paying out direct debits.

NatWest says that it cannot find any record of G complaining about the charges or any reference to any complaints not being followed up.

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 G first complained to the Financial Ombudsman, NatWest objected to us considering the complaint on the basis that it had been made outside of the time limits set down in the rules that apply to this service. After some lengthy correspondence, NatWest subsequently consented to us considering the complaint. As there is no longer any dispute over this, I don't consider it necessary to say more about this in my decision.

I'm sorry to disappoint G but having considered everything I don't uphold its complaint. As NatWest didn't offer a client account product in 2005, I can't reasonably find that it was wrong to open a business current account that was marked on NatWest's system as ring fenced for client account use. Although Mrs F says the business current account was not a client protection account, the evidence NatWest has provided indicates that its system identified the account as one where the owner – G – did not own the funds in the account. I appreciate that this was not enough to satisfy the regulatory requirements imposed in 2019, but this does not make the account unsuitable for use in the years prior to this.

I appreciate that NatWest started to offer a client deposit manager account in 2008 but this doesn't mean that the account G was using for client money was unsuitable. Or that

NatWest should have proactively recommended to G that it switched accounts.

As far as I can see, NatWest applied the charges in line with the terms of the business current account. If G had been unhappy about the charges on the account, I would have reasonably expected it to raise this with NatWest. Although Mrs F says she repeatedly discussed the charges on G's current account, NatWest doesn't hold any record of this. So, I can't find that NatWest was at fault for not telling G about the client deposit account before 2019.

The first time NatWest has evidence of G's concerns about the business current account is from 2019 when someone told G that NatWest should never have applied charges to an account used to receive client money. At this point, G could have closed the business current account if it had wanted to. This would have avoided further charges being applied. As G didn't close the business current account and as it was then also using the account as a current account to make direct debit payments, I can't fairly require NatWest to refund any charges properly applied.

Overall, I'm satisfied that NatWest's compensation payment of £500 goes more than far enough to apologise for the inconvenience to G when NatWest mistakenly said that it would refund the charges on the account and when it delayed providing the client protection letter. I don't require NatWest to do more to put things right and am sorry if this comes as a disappointment to Mrs F.

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 G to accept or reject my decision before 3 January 2024.

Gemma Bowen
Ombudsman