

The complaint

Mrs J complains that National Westminster Bank Plc restricted her business account. It then continued to add charges, even though the account could not be used. As a result of the charges, the account went overdrawn.

What happened

Mrs J runs a business managing rental properties. At the relevant time, she had a business and personal accounts.

From around April 2020 NatWest sought information from Mrs J about receipts and payments on her accounts, in line with its regulatory obligations. Mrs J explained that some of the transactions which the bank had queried had arisen because she was dealing with the estate of her late partner. There were, therefore, payments connected to property sales and repaying a mortgage, as well as transfers within her family.

NatWest did not consider however that it had enough information and in June 2020 it suspended Mrs J's business account.

At around the same time, Mrs J successfully applied for a bounce back loan ("BBL") under a government backed scheme to provide assistance to businesses affected by the Covid-19 pandemic. Under the BBL terms, no payments were due for 12 months – which in Mrs J's case meant July 2021.

The BBL terms included at clause 9.2:

"If the Customer maintains a current account with the Bank then the Bank may take payments due and payable by the Customer under this agreement from such current account."

In October 2020 NatWest wrote to Mrs J about her accounts, including the business account. The letter told Mrs J that it had reviewed the accounts and that, as a result, she should make alternative arrangements within 60 days. The letter included a section dealing with the BBL. It said:

Loan facility - Bounce Back Loan Scheme (BBLs)

You have a Bounce Back Loan Scheme (BBLs) loan with us. We recommend that you give serious consideration to repaying the loan in full at the date of your exit. If you do decide to repay, your business current account will be closed.

If you decide not to repay the loan facility, then it is important to note you will still be liable to repay the loan in accordance with the facility agreement. In this situation, your business current account will remain open only for the purpose of receiving funds to enable any loan repayments to be covered on a monthly basis (where a business current account is not available, we may need to open an account to service the loan where one hasn't already been opened, in accordance with the facility agreement). You will need to remit funds in

advance to cover these amounts. When sending funds to us, these should be paid to the business current account (or loan servicing account). No other activity on the account will be permitted.

Please refer to your facility agreement to check when any capital repayment holiday and/or period during which you are not required to pay interest (if applicable) expires, necessitating funds to be provided.

Since it had been suspended, Mrs J was not using the account. It had a low balance, and no payments were being made to it. No payments were due on the BBL for several months.

Mrs J did not arrange for any payments to be made to the business account and did not set up an alternative account. Nor did she repay the BBL. NatWest did not close the business account.

When, in July 2021, repayments fell due on the BBL, therefore, there were insufficient funds in the business account to meet them. The account therefore fell into overdraft and the bank began to charge interest and fees for failed payments. Mrs J complained that she had been charged, even though had not used (and could not use) the account. The overdrawn balance was made up entirely of interest and charges, triggered by the bank's attempts to take BBL payments. Mrs J said that she believed the account had been closed by the bank.

NatWest said that the charges had been properly applied when it had been unable to collect BBL payments from the business account.

Mrs J referred the matter to this service where one of our investigators considered what had happened. She did not recommend that the complaint be upheld. Mrs J did not accept that recommendation and asked that an ombudsman review the case.

I did that and issued a provisional decision, in which I said:

I can understand why Mrs J might have assumed that she did not need to do anything when NatWest indicated that it would close the business account. She was not using the account, and it had a relatively modest credit balance.

However, from July 2021, the account was to be used to finance the BBL, in accordance with clause 9.2. In order for that to happen, the account needed to be funded, or Mrs J needed to set up a Feeder Account. In my view, that requirement was set out clearly in the terms of the BBL.

In addition, I think that the October 2020 letter set out the position clearly. It said that the business account would remain open to service the BBL (but for no other purpose) and that Mrs J would therefore need to pay funds into it.

Mrs J did not repay the BBL and did not make other arrangements for payment. Accordingly, the bank tried to collect payment from the business account. Because it could not do so, it charged fees and interest in the same way it would have done if an unrestricted account had lacked the necessary funding. I do not believe that was unfair.

Finally, I note that, more recently, Mrs J has said that she tried to clear the overdraft but was unable to do so when the bank was unable to locate the business account. That is a matter however which arose after this case was referred to us. It should therefore form the subject of a new complaint, and I will make no comment on it here.

The bank accepted my provisional decision, but Mrs J has not replied to it. I have therefore reviewed the case for a final time.

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.

Because neither party has provided any more evidence or arguments for me to consider, I see no reason to depart from my provisional findings. In reaching that conclusion, however, I stress that I have considered the case file afresh.

My final decision

For these reasons, my final decision is that I do not uphold Mrs J's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 5 December 2023.

Mike Ingram

Ombudsman