

The complaint

Mr O and Mrs W complain National Westminster Bank Plc (“NatWest”) restricted their joint account on two separate occasions without explanation – and then closed it. They say this has caused severe distress and inconvenience, financial loss and adverse impact to their credit file.

What happened

This complaint only deals with Mr O and Mrs W’s joint account. Mr O and Mrs W’s sole accounts are being handled under separate complaint references at this service.

On 29 April 2022, NatWest blocked Mr O and Mrs W’s joint account. The restriction was removed on 12 May 2022. Mr O and Mrs W complained to NatWest.

In its responses, NatWest said it had taken this action in line with its regulatory obligations and terms of account. And it doesn’t have to provide an explanation for doing so. NatWest accepted it had provided poor customer service and apologised.

Mrs W moved her incoming benefit payments to her sole current account with NatWest at this point – this included her disability benefits.

On 30 June 2022, NatWest restricted this account again. The restriction was lifted on 31 August 2022. Mr O and Mrs W complained about this second block. NatWest reiterated that it had taken this action in line with its regulatory obligations and terms of account. And as it had followed the right process, NatWest doesn’t need to do anything about Mr O and Mrs W’s credit rating being impacted because of them missing standing orders and direct debit payments.

On 1 September 2022, NatWest told Mr O and Mrs W that all their accounts, including this joint one, would be closed on 31 October 2022. NatWest gave two months’ notice of its intention to do this.

Mr O and Mrs W say NatWest’s actions have had a significant impact upon them. Some of the key points they make are:

- The joint account was their main account into which their income and benefits went, and all their essential bills were paid from
- They have a young child, and were unable to provide food for themselves due to not having access to their funds
- NatWest suggested Mrs W use funds in her savings account, but they were earmarked for solicitor’s fees as they were in the process of buying a home imminently in June 2022
- The block and the impact of falling into poor credit caused significant worry and upset as they thought they would lose out on being able to get a mortgage

- Their credit scores with credit reference agencies have been adversely affected to the point they've nearly halved
- Mr O has had to lie that he was unwell as he couldn't afford petrol or pay for client lunches. He's also had to take out a high-cost loan to make ends meet and pay for their daughter's uniform
- They fell behind with their rent in June and July 2022 before purchasing their new home

Our Investigator then started looking into Mr O and Mrs W's complaint. Amongst other things, they asked them to provide evidence of incurring fees and charges from their creditors as a result of not being able to make payments. Mr O and Mrs W have sent:

- A screenshot to show Mr O incurred a £12 missed payment fee for a credit card payment due on 11 August 2022 that left the account in arrears of around £40
- A screenshot showing a payment for car insurance, and a letter for home insurance, were not paid by direct-debit in July 2022
- A direct debit payment of around £240 and another for £50 to separate creditors failed in July 2022. Also, a failed direct debit payment for their TV licence failed in August 2022
- Payment schedule for housing related payments for August and September 2022
- An undated screenshot of Mr O opening a 'credit line' of up to £890 with a high-cost loan company
- Unpaid direct debit fees for Mrs W's hire purchase agreement dated 12 July 2022, 10 August 2022, and 22 August 2022, all for £5. Also, the same company charged Mrs W £15 a default charge on 30 August 2022
- A non-headed screenshot showing 13 missed payments in 2022, and another showing six missed payments for 2023. Mrs W says this represents her credit file
- A screenshot showing a credit card was being defaulted in December for payments being three months in arrears

NatWest told our Investigator that it should have removed the second restriction on the day it was applied on 30 June 2022 - but it failed to do so. NatWest accept it had made an error. Because of this it offered Mr O and Mrs W £250 for the distress and inconvenience this caused. Mr O and Mrs W didn't accept this as a resolution to their complaint.

NatWest then said it would refund all the fees and charged it applied from 30 June 2022 onwards. For Mr O and Mrs W's joint account, these totalled £24.55.

Our Investigator then sent both parties their outcome to this complaint. In relation to this joint account, and in summary, they found:

- The first block in April 2022 was applied in line with the terms of the account, and regulatory obligations NatWest must meet. The review and block were done correctly and without delay
- The second block applied in June 2022 was not done correctly. So compensation for

distress and inconvenience will be considered for that period only – 30 June 2022 until 31 August 2022

- Mr O and Mrs W should have mitigated against not having access to their joint account, so though the block affected their ability to make payments in July 2022, they should have made the payments in August 2022 from other sources. Mr O had access to his sole account during this time
- Mr O and Mrs W have provided evidence they were charged £30 in penalty and charged for missed payments. This along with the charges NatWest applied - £24.55 for the joint account should be refunded. NatWest's overall offer including these charges, of around £300 is fair redress

NatWest agreed with what our Investigator said. Mr O and Mrs W did not. Some of the main points they made were:

- NatWest's actions put them a month behind with payments even though they had access to other accounts. Mr O received his wage into the joint account, and they couldn't transfer this money across to another account due to the restriction
- How could they have made payments from alternative accounts for August payments when they had no idea what was going on with their account
- Mrs W has a neuro-diversity condition which exacerbated her stress and anxiety for having to deal with changing payments
- The impact NatWest's actions had on their lives, credit score, mental health and future ability to borrow money isn't justified in the compensation amount
- It's disappointing that NatWest can behave in this way, not giving any notice nor explanation for its actions

As Mr O and Mrs W didn't agree, their complaint was passed to me to decide. I then sent both parties my first provisional decision on this complaint. For ease of reference, here is what I said I was planning to decide:

First provisional decision – sent October 2023

"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'm planning on upholding this complaint. I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr O, Mrs W and NatWest have said before reaching my decision.

It's important to note, and as I said earlier, that my decision focuses only on NatWest's

actions in regard to Mr O and Mrs W's joint current account.

Banks in the UK, like NatWest, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

When carrying out such a review banks are under no obligation, that I'm aware of, to explain why it has taken the action it has. This includes when restricting an account. But if a complaint about it is referred to this service, then NatWest should show us what those reasons are - and the evidence it's relied on to support any concerns it has. That way we can determine if NatWest has acted in line with its obligations and done so fairly and reasonably.

Despite several requests to NatWest to give us the information we need to decide this complaint, it has failed to do so. That means I don't have enough information to conclude either of the blocks NatWest applied were done fairly and in line with its obligations. I note NatWest accept the second block applied in June 2022 should have been removed the same day it was applied.

So, to be clear, based on the limited information I have, I find that NatWest did not act fairly when applying the restrictions on Mr O's and Mrs W's joint bank account.

Mr O and Mrs W only complained about their account being closed more recently. Broadly speaking, NatWest is entitled to close an account just as a customer may close an account with it. But before NatWest closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which NatWest and Mr O and Mrs W had to comply with, say that it could close the account by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

NatWest gave Mr O and Mrs W two months' notice to close their accounts. But as with the restrictions, it hasn't explained to this service why it did so – and provided supporting evidence. So I can't say it acted fairly.

This brings me onto what I think NatWest needs to do to put things right given I'm currently minded on deciding it hasn't shown its actions were fair, and in line with its obligations. I note too that it said it made a significant error in blocking the account the second time. Without seeing what sits behind this, it casts some doubt over its decision to restrict the account the first time around too.

I've been given the bank statements for the joint, and respective sole current accounts for Mr O and Mrs W. And having carefully looked through them I'm satisfied the joint account was where Mr O's salary was coming into, and for the period of the first block, Mrs W's various benefit payments. So I'm persuaded that this was their main account and the one they relied on to service their lifestyles and essential costs.

Mr O and Mrs W have shown they were charged £42 in external penalties for missing regular payments and in one case being defaulted. This should be refunded to them. Additionally, If Mr O and Mrs W can show NatWest that they incurred other such charges during the period from 29 April 2022 up until 31 August 2022 by external companies, NatWest should refund them these costs.

Mr O and Mrs W were deprived of access to their funds on two separate occasions. NatWest

should pay 8% simple interest on the funds balance on 29 April 2022 till 12 May 2022, and then on the balance from 30 June 2022 until 31 August 2022. NatWest may argue some of these funds were earmarked for bills. But I think it would be grossly impractical to calculate what that would have been, and in any case, they didn't have access to these funds – and that's the point of this award.

I'm satisfied that NatWest should also refund all charges it applied in these two periods of restriction.

Both Mr O and Mrs W have explained in detail the impact NatWest's actions have had on them in terms of causing embarrassment, distress and inconvenience. I agree this would have been exacerbated by having a young family to support, and Mrs W's mental health condition.

Having given this careful thought, I'm minded on awarding £600. That's because the impact of NatWest's mistake has caused considerable distress, upset and worry – and significant inconvenience and disruption that would have needed a lot of extra effort to sort out. The impact of which lasted several months collectively – of which some ramifications persist today.

I've considered that Mr O and Mrs W had other bank accounts in their sole names. But I'm persuaded they were ancillary accounts with little resource to pay for pretty much all their key expenses on the joint account. Our Investigator said that by August 2022, Mr O and Mrs W should have found alternate ways to make their payments – and as they didn't, this should mitigate against any of the consequences.

I also note that Mrs W had savings. She's explained these funds were earmarked for solicitor fees as they were in the process of appropriating a new home. If the funds weren't for that purpose, given the severity of what was going on, I'm sure they would otherwise have been utilised. So I don't think the savings were a viable option that should've been used to mitigate any missed payments.

From the statements I've seen, Mr O was receiving help from friends and family in July and August 2022. He's also shown he needed to borrow money at a high cost from a loan company. So I think any payments they fell behind with, were one's they couldn't meet as the limited money they could get their hands on was being utilised for more higher priority bills and costs.

It follows that I think NatWest are culpable for any adverse impact to Mr O and Mrs W's credit file during the period of its blocks for regular payments that weren't being made from the joint account.

So I'm persuaded NatWest should send Mr O and Mrs W a letter saying that it was at fault for any payments being declined from their joint account during the period of the blocks. Mr O and Mrs W will be able to show this to their creditors who may rectify their records accordingly. I'd expect, given the accounts were unblocked in September 2022 and the funds in them released, that all of the creditors Mr O and Mrs W fell behind with have been paid and accounts are up to date.

Putting things right

In summary, to put things right, NatWest must:

- *Pay 8% simple interest on the balances while the account was blocked from 29 April 2022 until 12 May 2022, and from 30 June 2022 until 31 August 2022**

- *Pay Mr O and Mrs W £42 for fees and charges they've incurred from third-party creditors for missed and late payments. NatWest should also refund any other such charges Mr O and Mrs W can evidence during the period of the blocks by third-party creditors*
- *Refund all NatWest fees and charges when the account was restricted*
- *Pay Mr O and Mrs W £600 compensation for the distress, inconvenience and embarrassment it has caused*
- *Provide Mr O and Mrs W with a letter saying that its error caused them to miss creditor payments from 29 April 2022 until 31 August 2022 which may have affected their credit files adversely"*

I then asked both parties to send me any further comments and evidence for me to consider before I reach my decision. NatWest sent me new information to consider. And after carefully considering this, I sent a second provisional decision to both parties. I said I was not planning on partly upholding Mr O and Mrs W's complaint. For ease of reference, here is what I said I was planning to decide:

Second provisional decision – sent November 2023

"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'm now planning on upholding this complaint in part. I know this is a different outcome to that which I was planning on reaching in my previous provisional decision. So, I'll explain why.

Banks in the UK, like NatWest, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Since my last provisional decision NatWest have sent me new information which explains why it took the actions of reviewing and restricting Mr O and Mrs W's account. Based on what I've seen, and having carefully considered it, I'm now satisfied that NatWest did nothing wrong – and was acting in line with its obligations when it restricted the account the first time. That is from 29 April 2022 until 12 May 2022.

NatWest continue to accept that it made an error with the second block as the restrictions should've been lifted the same day they were applied. To be clear that was 30 June 2022. So I have no reason to change my decision in relation to what I said about this second block in my provisional decision. That is, that NatWest made an error here and the account shouldn't have been restricted from 30 June 2022 until 31 August 2022.

That means any compensation I award for this will now only relate to the period the second block was in place.

I know Mr O and Mrs W would like an explanation. But NatWest are under no obligation, that I'm aware of, to do so. I'd also add that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information NatWest has provided is information that we consider should be kept confidential.

NatWest is entitled to close an account just as a customer may close an account with it. But before NatWest closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which NatWest and Mr O [and Mrs W] had to comply with, say that it could close the account by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Having looked at the information given to me by NatWest, I'm satisfied it was entitled to close the account in the way that it has done.

Putting things right and fair redress

In my previous decision, I'd said based on the limited information I had, that the complaint should be upheld in its entirety. And because of that I thought NatWest needed to compensate Mr O and Mrs W for:

- *The deprivation of funds for the period of both blocks*
- *Fee's they'd shown they had been charged from third-part creditors for missed and late payments. And that NatWest should refund them any other such charges that Mr O and Mrs W can evidence during the periods of both blocks*
- *Refund all NatWest fees and charges when the account was restricted*
- *Pay Mr O and Mr W £600 compensation for the distress, inconvenience and embarrassment NatWest caused*
- *And provide Mr O and Mrs W with a letter saying that its error caused them to miss creditor payments from 29 April 2022 until 31 August 2022 which may have affected their credit files adversely*

But given I think the first block and closure was now done in line with NatWest's obligations and terms of account, I must vary what I think is fair redress. In essence this means that I must now consider what I think is fair compensation for the error NatWest says it made in re-blocking Mr O and Mrs W's account from 30 June 2022 until 31 August 2022.

So, having carefully considered this, I now think NatWest needs to do the following to put things right:

- *Pay Mr O and Mrs W 8% simple interest on the funds withheld in their joint account from 30 June 2022 until they were made available**
- *Pay Mr O and Mrs W £42 for fees and charges they've incurred from third-party creditors for missed and late payments between 30 June 2022 up until 30 August 2022. NatWest should also refund any other such charges Mr O and Mrs W can evidence during this period of the blocks by third-party creditors*
- *Pay Mr O and Mr W £350 compensation for the distress, inconvenience and embarrassment NatWest caused for its error in not removing the second block on 30 June 2022 and leaving it in place for around two months*
- *NatWest to provide Mr O and Mrs W with a letter saying its error caused them to miss creditor payments from 30 June 2022 until 31 August 2022 which may have affected their credit files adversely"*

The deadline for further submissions from both parties has now passed. Mr O and Mrs W have not responded. NatWest say it agrees with what I am now planning to decide based on my second provisional decision sent in November 2023.

It follows that I must now decide this complaint.

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, and for the reasons in my second provisional decision – as above – I have decided to uphold this complaint in part. For simplicity, and to avoid any confusion, here's a summary of my key findings:

- Based on the evidence I've seen, NatWest acted in line with its legal and regulatory obligations when blocking Mr O and Mrs W's account the first time. That is between 29 April 2022 until 12 May 2022
- NatWest accept it didn't act fairly when restricting Mr O and Mrs W's account the second time – that is from 30 June 2022 until 31 August 2022. So I accept NatWest made an error here. Because of this any compensation award for this complaint will only relate to the period the second block was in place
- NatWest is under no obligation to give Mr O and Mrs W an explanation for its actions
- NatWest was entitled to close the account in the way it did, and this was in line with the terms of the account

Putting things right

To put things right, NatWest must:

- Pay Mr O and Mrs W 8% simple interest on the funds withheld in their joint account from 30 June 2022 until they were made available*
- Pay Mr O and Mrs W £42 for fees and charges they've incurred from third-party creditors for missed and late payments between 30 June 2022 up until 30 August 2022. NatWest should also refund any other such charges Mr O and Mrs W can evidence during this period of the blocks by third-party creditors
- Pay Mr O and Mr W £350 compensation for the distress, inconvenience and embarrassment NatWest caused for its error in not removing the second block on 30 June 2022 and leaving it in place for around two months
- NatWest to provide Mr O and Mrs W with a letter saying its error caused them to miss creditor payments from 30 June 2022 until 31 August 2022 which may have affected their credit files adversely

*If NatWest considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr O and Mrs W how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate

NatWest has said that if Mr O and Mrs W accept my final decision then it will require the following information from them:

- The account details the redress is to be paid to. NatWest require the account name, sort code and account number. Alternatively a cheque can be sent if Mr O and Mrs W can confirm the address this is to be sent to
- Evidence of any further fees from third party creditors
- Confirmation of the address and/or email address Mr O and Mrs W would like the bank error letter sent to

My final decision

For the reasons above, I uphold this complaint in part. National Westminster Bank Plc must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O and Mrs W to accept or reject my decision before 15 January 2024.

Ketan Nagla
Ombudsman