

The complaint

W, a Limited Liability Partnership, complain that The Royal Bank of Scotland Plc stopped paying interest on two of their accounts without telling them, and was slow to respond when they queried the position.

What happened

W had several accounts with RBS. Among them were two accounts which W opened long before RBS started offering specific client accounts. Although they were standard business current accounts, W used them to hold client money. In October 2019 RBS wrote to W to say that it would no longer be paying interest on credit balances on those two accounts from 13 January 2020.

W say they didn't receive the letter RBS sent in October 2019. They did realise that interest was no longer being received, but they assumed that this was due to the low base rate at the time. However, they noticed that in contrast to other accounts W held, interest still wasn't being paid on the two accounts in question even after rates began to rise.

W raised the issue with RBS in October 2022, commenting that they often held substantial sums of money in the accounts, and should have been receiving interest, for which they had a duty to account to their clients. RBS, however, responded that the two accounts were non-interest-bearing.

W say they thought that the fact that interest wasn't being applied to the accounts was a mistake, and asked RBS to put the position right. They continued to contact RBS over the next few weeks. In early December 2022 W's relationship manager confirmed again that the two accounts were non-interest-bearing, but couldn't explain why, or when W had been told that interest would cease to be applied. W say he told them he would set up a complaint and they'd hear from the complaints team within 10 working days. Having heard nothing further, they chased the matter up in late February 2023. When they hadn't received a substantive response by early March 2023, they brought a complaint to this service.

RBS issued its final response to W's complaint in April 2023. It said that a letter had been sent to the correct address, informing W that interest would no longer be paid on the two accounts. And it said the decision not to pay interest couldn't be overturned. It suggested that W might wish to consider opening a client deposit account, which did pay interest – although it acknowledged that, based on previous conversations, it might not be an ideal option for W for practical reasons.

W say they lost out on the interest that they consider should have been paid. They say their reputation has been damaged, as clients were unhappy that their money hadn't earned interest. They had to spend time raising the issue and rectifying client ledgers to account for a fair amount of interest in order to fulfil their regulatory responsibilities. They'd like RBS to pay interest on the two accounts, based on the rates applied to other RBS accounts in 2022 and 2023. They'd also like an apology from RBS for having stopped paying interest without telling them, and for having failed to deal promptly with their complaint, and they'd like compensation for the time they've spent dealing with the matter.

One of our investigators considered the complaint but didn't think it should be upheld. In summary, he was satisfied that RBS had notified W that it was going to stop paying interest on the account. Although he accepted that RBS had delayed in providing a full response to W, he said that hadn't prevented W from seeking alternative accounts.

W disagreed with the investigator's view, so the complaint has been passed to me.

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, I'm not upholding the complaint. I'll explain why.

Where the evidence is incomplete or inconsistent, I make my decision based on what I think is most likely to have happened.

W say that it was RBS's failure to explain why the accounts weren't receiving credit interest, and to tell them that the change was permanent, that meant that they didn't open new accounts sooner.

But while I accept that RBS was obliged, under the terms and conditions of the account, to give W at least 60 days' notice of its decision to stop paying interest on the accounts, I don't accept that it was also obliged to tell W why it had taken the decision. It was a commercial decision which RBS was entitled to take.

I'm satisfied that RBS sent W notice in accordance with the terms and conditions of the accounts that it would no longer be paying interest on the accounts. The terms and conditions that RBS originally provided to us post-dated the change to the account. But it has subsequently provided a copy of the terms and conditions which I'm satisfied applied both at the time that the notice was sent and at the time that the change came into effect. And having seen those terms and conditions, W accept that RBS was entitled to stop paying interest on the accounts on giving 60 days' notice, but they don't accept that notice was, in fact, given.

W have suggested that the fact that they queried, in October 2022, why no interest was being paid on the two accounts is, itself, evidence that the October 2019 letter wasn't received. They have also commented that the letter was addressed to a former partner of W, who they say left the partnership around ten years ago, and that RBS "would have been aware" of that.

As W have pointed out, the letter was system-generated, and I think it more likely than not that it was sent automatically to the name and address RBS had on record for the account and that it was correctly delivered. And even if the individual to whom the letter was addressed had left the firm, W's name was included in the address, and I think it would have been apparent that the letter concerned W's business. So I think it would have been reasonable to expect W to open it.

W have said that at the very least, they believe that RBS should pay interest on the two accounts backdated to October 2022, when they first queried why interest wasn't being paid, until new accounts are open. But I don't consider that it would be fair to require RBS to do that. I've explained that I'm satisfied that RBS gave notice in accordance with the account terms and conditions that it would no longer be paying credit interest on the two accounts in question from 13 January 2020.

W asked in October 2022 for details of interest being paid on the accounts and were told that the accounts were non-interest-bearing. I acknowledge that this appears to have come as a surprise to W, and that their relationship manager wasn't able to explain why the accounts were non-interest-bearing. It may be that W hoped that it would turn out that the change was a mistake, and that RBS would rectify it. But although RBS was aware that W were unhappy about the situation, I've seen nothing to make me think that RBS gave W any reason to believe that the change might be a mistake, or that it might be temporary.

W pointed out to RBS within days of first querying the lack of interest that other accounts were paying interest of between 0.5% and 1%, and they said that if their general client account were to remain non-interest-bearing, they may be forced to look at other options, particularly if the base rate continued to rise as expected. W could have applied for new, interest-bearing accounts at any time after learning that the two accounts no longer earned interest. I don't consider that I can fairly hold RBS responsible for the fact that it didn't do so sooner.

W has said that it would like RBS to apologise for its handling of the complaint. But the rules which cover the types of complaint that we consider only allow us to consider complaints about regulated activities. Complaint handling isn't a regulated activity, and so I'm unable to require RBS to take any action in respect of its handling of W's complaint.

I'm aware that W would like us to give them copies of all correspondence we've had with RBS in the course of this complaint. But W have been provided with a copy of the letter dated October 2019, warning that credit interest would no longer be paid, and a copy of the account terms and conditions which applied at the time. I'm satisfied that W have had sight of the evidence I've relied on, and I've set out my reasons for reaching my decision. In the circumstances, I'm not persuaded there's any good reason to share the correspondence we've had with RBS with W.

W have referred to issues they've had in opening new accounts with RBS, but I understand that this is being taken forward as a separate complaint.

My final decision

My decision is that I do not uphold this complaint.

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

Juliet Collins
Ombudsman