

The complaint

Mr and Mrs A complain that National Westminster Bank Plc unfairly closed their joint current account and delayed payment of the money in it. Because the account was linked to their mortgage, the closure had an impact on their mortgage interest.

What happened

Mr and Mrs A had a joint current account with NatWest. The account was linked to their mortgage account under an offset arrangement. That meant that funds held to the credit of the current account were taken into account when the interest due on Mr and Mrs A's mortgage was calculated.

In February 2022 NatWest decided that it wanted to close Mr and Mrs A's joint current account, and it wrote to them to say that it would be doing so after 60 days. The account was closed in April 2022. The mortgage account remained open but, because the current account had been closed, it ceased to be part of any offset arrangement.

Mr and Mrs A gave instructions for the transfer of the funds in the joint account on 27 April 2022; however, the transfer was not made until 22 November 2022. The bank accepts that this was due to an error on its part.

Mr and Mrs A complained to the bank about the account closure. NatWest said it had been entitled to act as it did, so Mr and Mrs A referred the matter to this service.

One of our investigators considered what had happened. Initially, he was not persuaded that NatWest had acted fairly and, in an initial view issued in September 2023, recommended that the bank re-open the account, reimburse the additional mortgage payments which Mr and Mrs A had had to make, and pay a further £250 in recognition of the distress and inconvenience it had caused.

Mr and Mrs A initially said that they did not believe the recommendation went far enough. The bank said that it did not accept the recommendation that the account be re-opened and that it would provide more information about its reasons for closure.

When NatWest provided that further information, the investigator reconsidered the matter. Having done so, he issued a second opinion, in January 2024. He accepted that the bank had not acted unfairly when closing the account. There had however been an unnecessary delay in paying the funds to Mr and Mrs A. He therefore recommended that NatWest pay interest on those funds and a further £250. He did not recommend that the account be re-opened or that any mortgage payments be refunded.

The bank accepted the investigator's revised recommendation but Mr and Mrs A did not. They asked that an ombudsman review the case.

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.

Generally, it is for banks to decide – as a matter of their own commercial judgment – whether to provide or to continue to provide banking services to a customer. We won't usually interfere with that judgment, as long as it is exercised legitimately. Examples of a bank not acting for legitimate reasons might include where it has discriminated against a customer because of a protected characteristic, such as race or religion. Although Mr and Mrs A have suggested that occurred in this case, I have seen nothing to indicate that the bank discriminated against Mr and Mrs A. I am satisfied that NatWest's decision to close the account was lawful and legitimate.

In this case, the terms of the joint current account which applied at the time of closure allowed NatWest to close the current account on giving 60 days' written notice, and I'm satisfied it did that.

I have considered too whether the link between the current account and the mortgage account affected NatWest's right to close the former – effectively taking away the benefit of the offset arrangement. I don't believe it did. Condition 9.2 of the Offset Arrangement Conditions says: *"If we are entitled to close an account included in your Offset Arrangement, we will follow the procedure for doing that set out in the Terms and conditions relevant to that account."* That indicates that any right to close the current account is not affected by the Offset Arrangement. Conditions 9.3 and 9.4 explain that the Offset Arrangement will close when accounts are removed from it. Condition 9 in its entirety allows the bank to end the Offset Arrangement by closing accounts within it in line with their individual terms. I think that is what NatWest did here.

As I have indicated, however, there was a significant delay – from 27 April until 22 November 2022 – in releasing funds held on the account. The investigator recommended that the bank pay interest on those funds at 8% a year; the bank agreed. I agree that is fair compensation for being deprived of funds. It is in line with our usual approach and is the rate applied to many court judgments; it broadly represents the cost of being without funds – a lending rate, rather than a savings rate.

I also agree with the investigator that Mr and Mrs A should receive further compensation in recognition of the distress they have suffered and the inconvenience to which they have been put as a result of the delay in releasing the funds from their account. And I agree too that £250 is a fair amount in the circumstances.

Putting things right

NatWest accepted the investigator's (revised) recommendation. I will nevertheless make a formal award in the same terms. That will enable Mr and Mrs A to enforce it, should they need to do so.

My final decision

For these reasons, my final decision is that, to settle Mr and Mrs A's complaint in full, National Westminster Bank Plc should pay them:

- interest on the balance of the joint current at the point of closure at 8% a year simple from 27 April 2022 to 22 November 2022; and
- £250 in recognition of the distress they have suffered and the inconvenience to which they have been put.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before 26 March 2024.

Mike Ingram
Ombudsman