

The complaint

M, a limited company, complains that National Westminster Bank Plc (NatWest) blocked payments from its account.

What happened

In September 2023, Mr T, a director for M, attempted to move money between business accounts. However, Mr T accidentally transferred the funds from M's business account to his personal current account. Realising his mistake, Mr T transferred the same amount from his personal current account to M's business account to cover the incorrectly transferred amount.

However, Mr T was unaware that M's accounts had been temporarily blocked, and so the money he'd transferred out of M's business account had been stopped. This meant the money he'd accidentally sent hadn't credited his personal current account. As a result, by transferring money back to the business account, Mr T's personal current account was left in its overdraft.

Mr T phoned NatWest to find out what had happened.

During the call, Mr T was told that five payments in total had been stopped. Two payments were deposits M held for a relative's business, which were being returned to that business' tenants, one payment to HMRC, another to M's accountant, with the fifth being the money he accidentally tried to transfer to his personal current account.

The agent explained NatWest's fraud detection systems had flagged one of the returned deposits as high risk, and this is what had prompted NatWest to block the other payments. She said that as Mr T hadn't contacted NatWest when the first transaction was flagged, the others were put on hold as well. Mr T said he'd received a text message when setting up the payments, asking him to reply 'yes' if the transactions were genuine – which he said he did, but that he'd never been asked to contact NatWest.

The agent asked Mr T a series of questions to satisfy herself that the risk of fraud was low and the payments could be released, despite Mr T indicating he was happy to accept the risk.

Mr T was asked if the account details for the tenants' returned deposits had been confirmed verbally by the letting agent. As the only confirmation Mr T received had been by email, Mr T was asked to get verbal confirmation and call back.

Mr T said he called back the next day to tell NatWest the account information had been verbally confirmed. This allowed the agent to release the payments.

Dissatisfied with the overall experience, Mr T complained to NatWest about the service received both in a personal capacity and that of his limited company.

NatWest didn't uphold the majority of the complaint. It said its automated system tried to

contact him on 19 September 2023, when the payments were stopped. When NatWest's adviser spoke with Mr T the following day, they felt further confirmation was required for one of the payments. NatWest confirmed the payments were released the next day after speaking with Mr T again.

It added that, in line with its fraud prevention process, its agents are required to follow a strict questioning criteria when checking stopped payments. As such, it didn't think it had done anything wrong in this regard.

However, it acknowledged the agent should have explained to Mr T that sometimes, despite responding with 'yes' to an automated text, if concerns remain about a payment, it can still be stopped. NatWest paid £50 into Mr T's personal account for what it believed was a lapse in service on this point.

Remaining dissatisfied, M asked our Service to look into matters.

Our Investigator didn't think NatWest had done anything wrong. He said NatWest could take steps to prevent fraud, and the blocks it had placed were supported by the account's terms and conditions. He accepted that fraud prevention systems can flag legitimate payments, but said he didn't consider this to be a bank error.

The Investigator also said he hadn't found an error in NatWest blocking the payment from M's accounts to Mr T's personal current account, despite allowing Mr T to make payment from his current account to M's business account. He said the exact operation of NatWest's fraud prevention system is confidential so, whilst he couldn't obtain an explanation as to why this happened, one blocked payment won't always cause all payments from all linked accounts to be blocked.

Overall, the Investigator didn't think NatWest had done anything wrong in blocking the payments, and felt they were released within a reasonable period of time.

M didn't agree with the Investigator's assessment. Mr T pointed out that NatWest had never asked him to call its fraud team. He said he'd received two messages on 19 September 2023 about the new payees, asking him to contact NatWest *if he didn't create the payee*. He said he also received a message asking him to respond with 'yes' or 'no' as to whether the instruction was legitimate. He said he replied with 'yes' and receive no further message.

Mr T queried how NatWest's fraud team could determine a risk of fraud in M's attempted payments to HMRC or its accountants. He said he hadn't been given an answer to this, but felt it was unfair that the payments remained blocked until 21 September 2023, despite him providing what he felt were satisfactory answers during his call on 20 September 2023.

He added that, had he been unable to reach the letting agent, or call NatWest's fraud team back for several days, the payments would not have been released the following day.

He was unhappy that NatWest's agent wouldn't allow him to take responsibility for the payments, and felt she wasn't concerned that the delay in paying HMRC could have resulted in penalties.

I issued my provision decision on this complaint. It said:

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 minded to uphold this complaint. I realise this isn't the answer M had hoped for, so I've explained why below. It should be noted that whilst I've arrived at the same outcome as the Investigator, I've made additional considerations. As a result, I'm sending my provisional decision to give both parties time to respond.

I should also mention that the matters I'm deciding on relate to M's accounts and losses. M, the complainant here, is a separate legal entity from Mr T, and so I'm unable to make a finding on Mr T's losses or experience. This includes the £50 compensation payment sent to his account.

Businesses are generally expected to ensure the amount requested by the payer is credited to the payee's account by the end of the business day following the time of receipt of the payment order. But there are exceptions, one of these is supported by NatWest's terms and conditions:

'We may suspend or restrict the use of your accounts... if:

...we reasonably believe it's appropriate in order to protect your account'

NatWest's fraud prevention system is complex, and its algorithms haven't been shared for good reason. To do so would allow fraudsters to circumnavigate the measures put in place to protect NatWest's customers. In this case, one of M's payments tripped the fraud prevention system, prompting NatWest to stop the payment, and any other payment felt to be at risk of fraud, until contact could be made with M.

During the call with Mr T on 20 September 2023, NatWest explained there were scams where emails were intercepted before they reached the intended recipient. In those circumstances, the fraudster altered the payment details to their own. This meant funds were sent to the fraudster, instead of the intended beneficiary. As the account details hadn't been confirmed by the letting agent via phone, the agent felt an unacceptable level of risk remained, despite Mr T's answers to her questions. And he would need to receive confirmation by phone for the agent's fears to be allayed.

Having looked over M's statements, it appears this was the first payment to the payee and could be considered outside the account's typical pattern – with the other payments generally being made to businesses. So, on the face of it, I don't think it was unreasonable that the payment was stopped. And I don't think NatWest acted unfairly to take the action it did once the payment flagged.

NatWest should be on the lookout for transactions that appear to be out of character or unusual – or any other signs that might indicate its customers are at risk of fraud. The bank, with its increased knowledge of what fraud and scams can look and feel like, was aware that limited companies can often be targeted by email interception scams. And, as there were concerns around correspondence being intercepted, I don't think it was unreasonable to hold back the other payments, until such time as the circumstances could be investigated further. I'm satisfied that once Mr T could confirm he'd received the account details by phone, the payments were released promptly, allowing M to continue use of its accounts.

When a financial business refuses to make a payment, it must notify the payment service user – which, in this case, was M – at the earliest opportunity.

Mr T has said he was never asked to call NatWest to discuss the payment. He said he was sent text messages asking him to confirm he'd authorised the payment and has provided screenshots to support this. NatWest has said it sent him a text message asking him to call its fraud department but hasn't provided anything to support this statement.

Based on the above, I'm not persuaded NatWest contacted Mr T at the earliest opportunity, as it is obliged to do. So, I've gone on to consider the impact of this.

As mentioned, the payment that tripped the fraud prevention system was a returned rental deposit to a tenant. This resulted in the other returned deposit being held, as well as M's payments to HMRC and its accountant. It also prevented Mr T's accidental payment to his personal current account.

I think it's more likely than not that had NatWest spoken with Mr T sooner, the remaining payments would have left the account at, or near, the time Mr T intended them to. But my considerations can't stop there. I must also think about the impact this had on M – the entity bringing the complaint to our Service.

As far as I'm aware, M didn't incur any penalties from HMRC or its accountant, despite Mr T's fears that it would. I also note Mr T's comments during his call with NatWest that the funds were being held for someone else, in relation to properties not owned by M. So I'm not persuaded that M lost out here, either. And, as already explained, this decision doesn't deal with the issues raised by Mr T regarding his personal current account, as M is a separate legal entity, and is the complainant in this case. As such, I can only assess M's losses.

I acknowledge the stress suffered by Mr T, and I'm sorry to hear the matters detailed above affected him in this way, but, as I've mentioned, M is the complainant bringing this case. As M is a limited company, it can be inconvenienced but can't be distressed. And based on the circumstances of the case, I don't consider it to have experienced inconvenience to its operation beyond that which I'd consider businesses agree to take on as a matter of course.

Mr T has also raised concerns about what would have happened, particularly around HMRC penalties, had he been unable to call NatWest back with the information he'd been asked for. But my decision deals with what has happened, not what might have happened. Mr T was able to set matters right with NatWest within a day or two of the issue arising, and so no penalties were incurred. So, the issue of NatWest not informing M of the block doesn't appear to have caused any quantifiable, material loss to M.

And so, because of what I've said above. I'm not minded to uphold this complaint or ask NatWest to do anything to compensate M.

NatWest didn't respond to my provisional decision, but Mr T did. In his response, he said he'd raised the complaint personally and on behalf of M. He said it was incidental that M got caught up in the matters relating to the complaint.

Mr T said the original blocked payments came from a personal current account. He said that the tenants' deposits were held on behalf of a family member, not a business, and that it had nothing to do with M.

Mr T added M's only involvement consisted of its payments being blocked by NatWest on the basis of the bank having blocked payments from his personal account. He said he was the one who complained to NatWest, not M, regarding the blocked payments. As such he felt the comments in my provisional decision about M bringing the complaint were incorrect. He further underlined his point that it was not M making the complaint by pointing out that the £50 compensation paid by NatWest was paid into his personal account.

Mr T said he was trying to establish NatWest's service was flawed because it blocked payments from his current account without telling him, and refused to make payments from M's account without telling the company. He noted my statement that when a financial business refuses to make a payment, it must notify its user at the earliest opportunity. He

said NatWest claimed it sent a text asking him to call its fraud department, but hadn't provided evidence. He said the screenshots he provided confirm he wasn't asked to contact anyone.

Mr T believes my provisional decision makes light of NatWest's failure to notify him or M that it refused to make payment. He says that, despite the decision presenting the argument that no loss was experienced by M, a loss *could* have been suffered. As such, NatWest shouldn't be told it hasn't done anything wrong.

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 see no reason to depart from the findings in my provisional decision – I'll explain why.

In my provisional decision I said why I couldn't consider Mr T's losses in his personal capacity and that this included any matters occurring on, or to, his personal account. I said:

'I should also mention that the matters I'm deciding on relate to M's accounts and losses. M, the complainant here, is a separate legal entity from Mr T, and so I'm unable to make a finding on Mr T's losses or experience. This includes the £50 compensation payment sent to his account.'

I cannot consider Mr T's complaint made in his personal capacity as a customer of NatWest as part of this complaint. Any complaint he has about the activity on his personal current account must be dealt with separately by this Service.

Mr T says the rental deposit funds were held on behalf of a family member, not a business. In either case, it stands that the deposit was held in M's account. NatWest wouldn't have known the context of how funds came to be held with M. It would have seen only a change in the account's behaviour, taking the action it believed was necessary.

In his response to my provisional decision, Mr T said the original blocked payments came from a personal current account. But the information I have from NatWest – the entity which applied the blocks – is that the first payment to be blocked was a returned deposit made from M's account. So I'm persuaded that the block originated from concerns NatWest had about activity on M's account.

But even if that wasn't the case, this decision doesn't deal with matters relating to Mr T acting in his personal capacity, including payments he made from his personal account. My decision only deals with matters relating to M, a limited company, and a separate legal entity from Mr T. And I am still not persuaded M suffered a loss as a result of the matters addressed in this decision.

Mr T has said a loss *could* have occurred as a result of NatWest not informing M of the blocked payments. And whilst I'm sorry to hear Mr T feels I've made light of this element of M's complaint, it is not for me to punish a financial business for what *could* have happened. My role here is to direct NatWest to put M back in the position it would have been in, had a failing not occurred, and to award fair compensation for the impact of the failing. And, as explained, I'm not persuaded NatWest's failure to notify M had a material impact on M.

Whilst I agree with Mr T that, on balance, NatWest didn't contact M at the earliest opportunity, I haven't been presented with any evidence that persuades me M lost out as a

result. And, because I don't think NatWest acted unreasonably in applying the blocks in the first instance, I see no reason to depart from my original findings.

My final decision

My final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 31 July 2024.

James Akehurst
Ombudsman