

The complaint

M, a limited company, complains that The Royal Bank of Scotland Plc (“RBS”) restricted its account following a review, then delayed returning M’s money after RBS subsequently closed the account.

M has been represented in this complaint by one of its directors, Mr C.

What happened

In July 2022 RBS asked M to complete a Business Profile Review (BPR). It sent reminders in August and September 2022 to complete the review. It said that if it wasn’t complete by 6 September 2022 M’s account would be restricted.

On 6 September 2022 RBS wrote to M to say that it hadn’t receive the information it needed to complete the BPR, and it had restricted M’s account. It asked M to log on to its Business Profile portal to see what information remained outstanding, and it explained that once it received the information, the restrictions would be lifted.

Ten days later, Mr C spoke to RBS on the phone and was told that M needed to provide more information to complete the BPR. Some of the review was completed there and then during the call, but further information needed to be provided online. Mr C was unhappy about being asked to provide his mobile phone number for a passcode to be sent to him. As a result, the review wasn’t complete.

On 28 April 2023 gave M notice that it would be closing the account on 27 June 2023. The closure took effect on 5 July and RBS sent M a cheque for the closing balance on 18 July 2023.

RBS has acknowledged that there was a delay of nearly a fortnight between closing the account and sending a cheque for the closing balance to M. It said that interest at 8% for that period would amount to £9.63. But instead, it offered to pay M £150 to apologise for the delay in sending the cheque out. It also offered to refund an unpaid item charge of £12 for a cheque that was presented while the account was restricted, as a gesture of goodwill.

M says that RBS’s delay in releasing the funds in the account has caused considerable disruption and it hasn’t been able to operate. It considers that it was unreasonable of RBS not to allow it to access its money. M says it didn’t have access to its money between September 2022, when the account was restricted, and July 2023 when it was closed. It believes that it would be more appropriate for RBS to pay it interest for that whole period, rather than just the interval between closing the account and sending the cheque.

What's more, M says it's still unable to access its money, as the cheque RBS sent it for the closing balance had expired by the time it opened a new account. It says it tried to pay the cheque into its new account, but RBS refused to honour it. And it says RBS has told it that in order to issue a new cheque, it will need to complete a form signed by all the signatories to the original account. But that's not feasible, as all but one of the original signatories has moved on. M says RBS knows how protracted the process of opening a new account can be, so it should have realised this might be an issue.

One of our investigators considered the complaint, but thought what RBS had already offered M was fair.

M didn't agree with the investigator's view, so the complaint was passed to me.

My provisional findings

After considering all the evidence, I issued a provisional decision on this complaint to M and to RBS on 19 April 2024. I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm satisfied that RBS sent M requests, correctly addressed, to complete the BPR in July, August and September 2022. Although I can understand Mr C's frustration at some of the questions he was asked during his phone call with RBS in September 2022, the fact remains that the review wasn't completed. And although, as Mr C has pointed out, some of the information that RBS required was in the public domain, I think it was reasonable of RBS to require M to complete the review, which was needed to satisfy regulatory requirements. And in the circumstances, I'm satisfied that it was reasonable of RBS, and in line with the account terms and conditions, first to restrict M's account and then to close it.

I acknowledge that M says it was told at the end of April that there were no documents outstanding, but I'm satisfied that this was because RBS had closed the BPR when it decided to close M's account.

I'm not, however, satisfied that there was a good reason for the long delay between RBS suspending the account in early September 2022 and sending M notice that it would be closing the account in late April 2023. I've listened to the phone call between RBS and Mr C in September 2022 and I think it should have been clear to RBS that the review wasn't going to be completed. In the circumstances, I'd have expected RBS to send M 60 days' notice of closure without delay, and then to send M the closing balance in the account promptly when the 60 days expired. If that had happened, M would have had access to its money by early November 2022. As it was, RBS didn't send M a cheque for the closing balance in the account until 18 July 2023.

I accept that opening a new account isn't always a straightforward process, and Mr C has referred to a reluctance to grant banking services to community groups and small charities. Nonetheless, I don't know of any particular reason why M couldn't have opened a new account within the usual six-month cheque validity period. And I don't consider that I can fairly hold RBS responsible for the fact that the cheque had expired by the time M came to try to pay it in. But nor do I see any good reason why RBS should require all the signatories to the (now closed) account to consent to the closing balance being paid out to M, whether by a fresh cheque or by direct transfer.

M is a small, not-for-profit community organisation. I can understand how disruptive to its activities it will have been for it not to have access to its money. M is the complainant here, and while I know that the process of trying to access M's funds has understandably been frustrating for Mr C, M as a company can't itself feel frustration. But I can require RBS to compensate M for the inconvenience it has been caused. And I consider £300 to be fair to reflect this."

I said that subject to any further comments or evidence, my provisional decision was that I upheld the complaint, and required RBS to put things right as set out under the heading "What I've decided - and why" below.

Further submissions

RBS has told us it has nothing further to add. Mr C, on behalf of M, has reiterated his dissatisfaction about the BPR process. In particular, he's commented that the process was onerous and that nothing had changed in the information that RBS held. And he says that RBS didn't explain what it meant by a "restriction" on the account. He adds that M still doesn't have access to its funds even though it has completed the form.

Mr C says that nonetheless, M is happy to accept my provisional decision, and hopes to receive its funds and the compensation sooner rather than later.

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 can't see any good reason to depart from the findings I set out in my provisional decision.

Putting things right

To put things right RBS should:

- Pay M the closing balance in the account, either by cheque made out to M, or by transfer directly into M's new account;
- Pay M the £12 unpaid item charge, as it has offered to do;
- Pay M simple interest at 8% on the closing balance of M's account for the period from 6 November 2022 to 18 July 2023; and
- Pay M £300 to compensate it for the inconvenience caused by its inability to access its money for a prolonged period.

My final decision

My final decision is that I uphold this complaint and require The Royal Bank of Scotland Plc to put things right by doing as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 6 June 2024.

Juliet Collins
Ombudsman