

The complaint

Mr A complains that Santander UK Plc unfairly blocked and then closed his personal and business bank accounts without good reason.

What happened

I issued my provisional decision of 21 January 2021, which forms part of this final decision. In my provisional decision, I set out why I intended to uphold this complaint.

I said:

Santander is entitled to undertake checks with credit reference and fraud detection databases for both new and existing customers. But I consider it shouldn't have automatically decided to close the account here (at least not without making some enquiries first). I think it ought reasonably to have carried out further investigation to confirm that the data it received was accurate/correct. I make this point because CIFAS's own guidance says,

"How does the CIFAS database work?

Before providing services, goods or finance or when employing a new staff member, CIFAS members can undertake checks against the database. If a CIFAS record is returned as a result of these checks a member must not simply reject an application or close a facility and they are required to carry out further investigation to confirm that the personal data provided on the application is correct."

I think this guidance can be read across to the closure of an existing facility. But Santander didn't ask Mr A about the circumstances that led to the database marker and by not doing so I don't think it treated him fairly. Without discussing this with Mr A, Santander didn't give him the opportunity to question the accuracy of the data before it made its decision. And Santander hasn't said that it had any other concerns about the way Mr A operated his account other than the CIFAS marker. Mr A has provided information from CIFAS to show that the entries against him have subsequently been removed. I have asked the investigator to share this with Santander separately.

I think if Santander had engaged with Mr A here, it's possible it might not have made the decision that it did, particularly given the fact that the entries have been removed. Overall, I think the situation could have been handled rather better than it was. And I think Mr A was caused considerable upset as a result.

Mr A says that he was treated poorly by the branch staff when he called in with his documents. He was denied access to his money and had to return several times to prove that he was entitled to the money in his account. I think once Santander found the entries, it was entitled to place a block on the account whilst it investigated. I don't think this in itself was an unreasonable step for it to take. It would have been a temporary measure until things were sorted out.

I have looked at Mr A's bank statement and see that he withdrew £2,000 in cash the first time he visited the branch, which left just over £100 in his account. On 13 July 2019 Mr A received a credit of just under £1,900 into his account. Santander asked him to provide proof of entitlement to this money before it allowed him to withdraw it. Mr A provided this on 19 July, which Santander reviewed and accepted. Mr A withdrew the full balance in cash on 23 July.

I appreciate that Mr A found it frustrating and inconvenient to provide Santander with evidence of entitlement, but I find Santander had told him that it would only allow him to withdraw money if he provided this information. Whilst this caused him a level of inconvenience, I find this was limited because he was able to have access to his money. I think Mr A has been treated unfairly by Santander to the extent set out above. But I haven't seen anything directly to suggest that this was a result of his background. I'm satisfied what happened was purely linked to the data that Santander found and not anything else. In conclusion, I think it was reasonable for Santander to place a block on the accounts whilst it investigated but I think it acted unfairly by not asking Mr A about the circumstances surrounding the marker as part of its investigation.

I don't think Mr A has suffered any financial loss by Santander's actions. But I do consider that he has been caused distress and upset. I've thought about the impact this has had on Mr A and that he had other bank accounts which he could continue to use, which helped limit the amount of inconvenience he was caused. I think £400 compensation is appropriate for the distress caused. I make no direction in terms of reinstating the accounts given Mr A has other facilities. So I'm not going to deem it an appropriate way to resolve the complaint here.

I invited both parties to make any further comment before I reached a final decision.

Santander responded to say it didn't accept my provisional decision. It said, in summary:

- It didn't accept that it hadn't treated Mr A unfairly.
- It was entitled to close the account with less than the 60 days contractual notice (here 30 days' notice) where the customer acted in a way that gave rise to a reasonable suspicion of fraud. This is laid down in the terms and conditions of the account. It believed the CIFAS loading was sufficient evidence to give rise to a suspicion of fraud.
- It had told Mr A that he could appeal its decision to close the account if he could get the CIFAS loading removed. However, he hadn't appealed.
- It noted the information Mr A had provided confirming the loading had been removed was dated October 2020. However, he'd been informed of the bank's requirements in July 2019. In the circumstances, no appeal had been raised.

Mr A also responded. In summary, he said:

- He felt the accounts should be re-instated. He hadn't been able to open another account since.
- Any award for compensation should reflect there were two accounts and not just one.
- This experience had caused trauma which continued to affect him now.

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 conclusions I reached in my provisional decision. I'll explain why.

Santander doesn't believe it has treated Mr A unfairly. It says it was open to reconsidering its decision if he was able to get the entry removed. I can see why it might think that but CIFAS guidance is quite clear. It says that a loading should prompt members to carry out further investigation to check the accuracy of the data rather than simply closing the account. I don't think saying he could appeal its decision met that condition. There's no evidence it asked Mr A any questions about the loading or the circumstances in which it might have been recorded.

I've considered what Santander has said about the loading having been removed and when the letter from CIFAS is dated. But in my view, this doesn't change the fact that it didn't make any further enquiries or ask questions. Mr A only referred his complaint once Santander had made its decision to close the account - he didn't think he'd been treated fairly.

Ordinarily a bank can close an account by giving 60 days (or two months' notice). And it doesn't have to give a reason why. However, if it wants to give less than the standard contractual notice (in this case it was 30 days) it can only do so in certain circumstances. Santander has highlighted the term below and says its view is that the CIFAS loading was sufficient evidence to give rise to a suspicion of fraud:

"act in any way to give rise to reasonable suspicion of fraud or other criminal activities".

I've given this careful thought, but I don't agree that the term applies here. Firstly, Mr A was not acting at all. Secondly, looking at the purpose of what a CIFAS warning is I don't think it can be used as a reasonable suspicion of fraud. As I have already made clear, the guidance is clear that if there is a loading, it's incumbent on the member to look further into it and not automatically close a facility. And Santander hasn't said there were any other concerns specifically relating to fraud.

Considering all of this, I don't think Santander gave Mr A the appropriate notice before closing his account. I've thought about the impact this had on him together with the impact I mentioned in my provisional decision. But I don't think this warrants a higher award. I say this because Mr A was still able to withdraw funds at a branch and he had other accounts elsewhere.

I understand Mr A feels the compensation should reflect that there were two accounts and not one. But our awards aren't based on each event or an individual mistake, rather we look at the overall impact this has had. And that's what I have considered here. I don't doubt this was very upsetting situation for Mr A. But I'm satisfied £400 reflects the trouble and upset caused.

I understand Mr A would like his accounts reinstated. But I don't think that's appropriate. Mr A held other accounts and there's nothing to suggest that Santander has recorded something against him which might be preventing him from getting new facilities elsewhere. Indeed, he's provided information from CIFAS that shows that there aren't any adverse records held against him now. So, it follows that I'm not going to ask Santander to do more than pay the compensation I have outlined.

My final decision

My final decision is that I uphold this complaint. I require Santander UK Plc to pay Mr A £400 for the upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 15 March 2021.

Sarita Taylor
Ombudsman