

The complaint

Mr A complains that he is being held liable for a debt on his Santander UK Plc credit card account, after he believed he'd paid off this amount. Santander say Mr A wasn't entitled to the money used.

What happened

Mr A held a current account and a credit card account with Santander. In September 2019 he received a payment in to his current account with the reference "food order". Some of the money was passed on to a third party, and the rest Mr A put towards paying off his credit card.

Several weeks later Santander received word that the payment in to Mr A's account was fraudulent. They placed a block on his accounts and asked Mr A to explain the credit. He told them he could provide proof of entitlement in branch.

Santander weren't satisfied with this and after several more weeks took the decision to close Mr A's accounts. The current account was overdrawn, which Mr A repaid. Santander also took the decision to remove the amount Mr A had paid towards his credit card with the disputed funds – less his subsequent payments and interest. This amounted to £971.70.

At first Mr A wasn't told where this charge had come from and had to chase this up with Santander over several months. He was eventually given the correct information.

Mr A didn't think this was fair, and so raised a complaint. Santander responded saying they'd acted within the terms of his accounts. They said as the funds were from a reported fraudulent transaction, they wouldn't rescind the charge of £971.70. They said to consider removing the charge they'd need the sending bank to withdraw their claim to fraud. But they accepted they had given Mr A some wrong information on the phone and offered £25 in compensation.

Mr A then gave some more details to Santander. He said his friend, who I'll call X, asked him to send him some money in another country where Mr A also holds accounts. X told him he needed the money for his father, who was unwell. He sent X the local equivalent of the payment. X then told him that a third party who Mr A didn't know, who I'll call Y, would send him the money in the UK. He didn't know Y personally.

Mr A did provide a letter dated several months after the closure, from X explaining why he'd asked for the money. X also provided statements showing he'd paid Y money from his own account in the other country. He's tried to contact Y, but they had refused to help him. Y had accused Mr A of being a scammer.

Santander didn't think this changed their decision, as they couldn't understand why Y would be involved in this transaction. They said they wouldn't be removing the disputed amount from the balance on the credit card.

Unhappy with this Mr A referred the complaint to our service. When reviewing the case to send us Santander felt they had taken too long to explain to Mr A why the charge had been added to his account. They increased their compensation offer to £100.

One of our investigators looked in to what happened. They asked several more questions to Mr A about the transaction in to the account – but didn't think they'd received enough evidence from Mr A to demonstrate he was entitled to the funds.

On that basis the investigator felt the blocks and account closure were in line with the terms of the accounts, and so were reasonable. The investigator also felt that the charge applied to the credit card was fair, as Mr A was not entitled to the funds.

But they felt the service Mr A had received from Santander hadn't been reasonable. It took a number of calls over a number of months before the bank made it clear what the charge was and why it had been charged. They felt that Santander's increased offer of compensation was a fair way to reflect this and didn't suggest anything further.

Mr A disagreed that this was a fair way to resolve the complaint. Because no agreement could be reached the case has been passed to me to decide.

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.

The investigator has written a detailed timeline of the events, and these are well known to both parties. In this decision I'll focus on the details I feel are most relevant to the outcome.

Account blocks and closure

Both parties are aware that the money paid in to Mr A's account was reported as fraudulent. So, in the circumstances it's not unreasonable for Santander to have blocked the account initially while they investigated. They have legal and regulatory obligation to ensure their accounts aren't being used in a way that would facilitate financial crime. The terms of Mr A's account also allow them to block payments and ask for further information. I'm satisfied Santander had reasonable grounds to be concerned about the use of the current account, and request Mr A explain the payment in to his current account.

In this case Santander weren't happy with the information they received from Mr A about the payment in to his account – so took the decision to close the account with no further notice. Generally, banks are required to give reasonable notice before closing an account. In practice this often means 60 days' notice, but it can be less depending on the circumstances.

By the point the accounts were closed they had been blocked from further spending for two months. In practice, as Mr A hadn't been able to use his account, I consider this account was closed with no notice – as in Mr A didn't have the opportunity to make other banking arrangements.

Santander's current account terms outline when they can close account with no further notice, and I'm satisfied that they acted in line with these terms and the relevant regulations.

In terms of the credit card account, Santander can withdraw their decision to lend. Again, the terms outline when they can close an account without giving the required notice. Having

considered the circumstances, I'm satisfied these apply here and it wasn't unreasonable for Santander to close the credit card account.

Overall, I can't say Santander have done anything wrong with the block and subsequent closure of Mr A's accounts, so they don't need to do anything further to rectify the situation.

Payment in to Mr A's account and charge on the credit card

It's accepted that the payment in to Mr A's current account was reported as fraudulent, and Mr A used a portion of these funds to pay down his credit card balance.

Santander's position is that Mr A wasn't entitled to these funds, and as such he should not have been able to use them to pay down a debt to them. In effect by returning the funds they've placed him in the position he would have been in had the money never entered his current account.

The key question for me to answer is whether Mr A was entitled to the funds in the account, or at the very least had reasonable grounds to believe he was.

However, I don't believe this to be the case. Mr A has explained he believed he was receiving the money in relation to a payment he sent to X, and he has provided evidence he made a payment of a roughly equivalent amount on the same day in another country.

But he's not been able to provide any evidence of what was agreed with X at the time. In conversations with Santander Mr A wasn't always consistent in why X needed the money.

The letter from X is dated several months after the account was closed, and I have no way of knowing how accurate this is. Especially as it's clear the funds weren't sent to Mr A's account by X, but by Y.

It's unclear what relationship Mr A has with Y. Mr A has indicated he'd been in contact with Y, but again hasn't been able to demonstrate why Y was sending him money on behalf of X. The reference sent by Y was "food order", which doesn't tie in with the explanation Mr A gave of X needing the money for his father.

Mr A provided Santander receipts which seem to show X paying Y money in the other country on the same day the transaction took place. But this wouldn't seem to make sense if X was the person who needed the money. It seems unclear why Mr A needed to be involved in this transaction at all.

Mr A also hasn't been able to explain why he sent on a portion of the money received to another third party, within ten minutes of it being received. This suggests to me Mr A knew about the payment arriving and wanted to move it on quickly. Which in turn suggests he was aware this wasn't his money.

I've also taken in to account the sending bank has reported the funds as fraudulent, which as far as I'm aware hasn't been withdrawn. If this was a simple misunderstanding between X and Y, I'd have expected this to be resolved by now.

Overall, I'm not satisfied Mr A was entitled to this money, or that he would have reasonable grounds to believe this was his money to spend. It follows then that it isn't unreasonable for Santander to refuse this money when Mr A was trying to pay down his debt to them on his credit card. I consider it fair then for Santander to reverse this payment to his credit card and ask Mr A to repay what he owes.

Mr A subsequently made payments to his credit card using funds not in dispute, before the payment to the credit card was reversed. This would have an effect on what Mr A owes, because of the interest charged on the balance. Santander have provided their calculations to take these in to account.

Having reviewed these, I'm satisfied that the amount of £971.70 is an accurate reflection of how much Mr A would have owed at the time it was added, had the fraudulent funds not been put towards his debt.

The terms of the credit card also allow Santander to continue to charge interest in line with the agreement, even after the ability to spend is terminated. I'm satisfied Santander haven't behaved unreasonably in doing this. So, I'm not convinced Santander need to refund this amount back on to the account.

Customer service

Santander have accepted that they didn't always provide the best service to Mr A after his accounts had been closed and the charge added to his credit card balance. They've apologised and offered £100 in compensation for this in total.

I've reviewed Santander's contact notes for Mr A, and also listened to a number of calls between the two parties. Having done so I accept that Mr A would have been frustrated that he wasn't getting clear answers on why this charge had been added to his credit card. It took over two months before Santander told him what the charge was in relation to, when they should have been clear about this as soon as it was added.

I think there was some confusion on the part of Santander, and they didn't always give Mr A the right information. For example, in one call Santander told Mr A that he needed to complete a dispute form, but this wasn't correct.

However, this is then corrected the next day in a call Mr A has with Santander, without him ever filling in this form. But I can understand why Mr A would be frustrated that he can't get clear answers when he calls, and this has caused him trouble and upset.

However, I also must balance this with the fact Santander had already spoken to Mr A about the payment in to his current account, which he had then put towards the credit card debt and made him aware it had been reported as fraudulent. So, I think it's likely Mr A had a reasonable understanding of why Santander had reapplied the charges to his credit card. I think therefore the inconvenience to Mr A would be lessened by this.

With this in mind, I think the total offered by Santander of £100 is reasonable, and reflects the distress and inconvenience the delays in explaining the charge caused to Mr A.

My final decision

My final decision is that Santander UK Plc should pay Mr A £100 in total for the delays in confirming the reason for the charge on his credit card account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 December 2021.

Ombudsman