

The complaint

Mr S complains that Santander UK Plc blocked his accounts. And took too long to release funds paid into one of his accounts back to him.

What happened

Mr S has several accounts with Santander.

In January 2020, Mr S received a HMRC tax refund payment of just over £10,000 into his current account. Following this, Santander decided to review Mr S's accounts and asked him to provide information regarding his entitlement to the funds.

Whilst it completed its review Santander said Mr S could access other money in his accounts by visiting a branch with identification. Santander placed a block on Mr S's accounts and ringfenced the HMRC payment whilst it waited for Mr S to provide information that showed he was entitled to the money. Mr S made several trips to branch and managed to access just over £30,000 by making several cash withdrawals. The accounts were blocked from January 2020 until November 2021.

In response to Santander's request, Mr S told the bank that he was self-employed and provided a copy of a letter he'd received from HMRC which confirmed the tax rebate and copies of some of his wage slips. Santander reviewed the paperwork but didn't think it showed Mr S was entitled to the HMRC payment as his pay slips didn't show *what* tax Mr S had actually paid over the previous year.

Mr S explained he was registered with the Construction Industry Scheme (CIS) so his employer deducted money from his wages and passed it onto HMRC, so his wage slips wouldn't show tax being paid. Santander told Mr S it needed to see evidence of what tax he had paid and asked him to send over wages slips for 12 months showing his CIS being taken and a copy of his self-assessment tax form that he'd completed to apply for a tax rebate.

Mr S explained that as he was paid weekly, he'd have to provide in excess of 50 wage slips which he thought was unreasonable. He also told Santander that the block on his accounts were stopping incoming credits and direct debits leaving his account. This meant some of Mr S's bills went unpaid and there was a delay in Mr S receiving his wages as his employer couldn't credit his account. Santander looked into things and said it had made a mistake and had applied the wrong type of block to Mr S's account.

Santander apologised and paid Mr S £200 compensation for any trouble and upset he'd been caused by the wrong block being applied. Santander corrected the block on 7 February 2020, which meant Mr S's direct debits could leave his account. The bank also amended Mr S's credit file so that no missed payment markers were recorded.

In September 2020, Mr S sent Santander his wages slips for 12 months. However, due to technical issues Santander couldn't view them. But the bank didn't inform Mr S. In November 2021, Santander released the HMRC funds to Mr S.

Mr S said due to the block on his account he went into an unarranged overdraft, and a refund he was expecting from a cancelled holiday went towards repaying his overdraft rather than being paid directly to him. Mr S says he suffered a great deal of stress and anxiety because he couldn't access the HMRC payment. And ended up in hospital due to this. So, he said the amount of compensation offered doesn't adequately reflect the amount of trouble and upset he's been caused.

One of our investigator's looked into Mr S's complaint. She said Santander were entitled to block and review Mr S's account and had done so to comply with its legal and regulatory obligations. She thought the £200 compensation for applying the wrong blocks was fair. She also said that the information Mr S initially provided wasn't enough to show he was entitled to the HMRC payment. However, she didn't think Santander had completed its review in a timely manner and should've asked Mr S for the extra information it needed much sooner than it did. So, she said Santander should pay Mr S a further £300 compensation for the delays.

The investigator said Mr S hadn't been charged anything for his account going overdrawn. And the account had gone overdrawn as Santander had decided to honour Mr S's direct debit payments, and as Mr S had withdrawn all his funds, there wasn't enough money left in his account to pay his direct debits. She also said Mr S's holiday refund had been correctly applied to reduce Mr S's overdraft. So, she said Santander hadn't done anything wrong. However, she said Santander should refund the account management fees as Mr S hadn't been able to use his account properly.

Santander agreed with the investigator's view. Mr S said he still thought the amount of compensation wasn't enough to reflect the ordeal he'd been through. And that he'd had plans to use the money Santander blocked to pay for a course, buy a car for work and other work expenses. So, he wants more compensation for the trouble and upset he's suffered.

As no agreement could be reached the complaint has come 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.

Firstly, as the investigator has already explained, Santander has extensive legal and regulatory responsibilities they must meet when providing account services to customers. And to fulfil these obligations they may need to review activity taking place on accounts and ask customers for information, for example about payments, and information about the individuals operating the accounts – it's entitled and obliged to carry out such checks. The terms of Mr S's account also permit Santander to review an account and ask its customers for information.

Having looked at all the evidence, I don't believe it was unreasonable in the circumstances for Santander to block Mr S's account. Santander has explained that this was its standard procedure, and I accept that it was. I'm satisfied that in doing so Santander were complying with its legal and regulatory obligations. So, whilst I accept, the bank's actions caused Mr S inconvenience when it *decided* to block his account, I can't say the bank treated him unfairly.

Before ring fencing the HMRC payment Santander placed a block on all of Mr S's accounts which meant Mr S's current account wasn't able to receive credits and his direct debits couldn't leave his account. He also had to wait around four days to get his wages as his employer couldn't pay his salary into his account due to the block. Santander accepted it made a mistake and corrected this quickly. It apologised to Mr S, paid him £200 compensation as well as removing any missed payment markers on Mr S's credit file. Having considered the impact of Santander's mistake, I think this is a fair and reasonable offer. So, I'm not going to ask Santander to do anything more to resolve this aspect of Mr S's complaint.

I've next looked at what Santander did during its review of the ring fenced HMRC payment and whether the bank treated Mr S fairly. While Santander are entitled to carry out a review, we'd expect them to do so in a timely manner and without undue delay. Santander initially blocked Mr S's account in January 2020 and asked him to provide it with information. Mr S did so relatively promptly and gave the bank a screen shot and copy of a letter from HMRC on 27 January 2020.

I've looked at the information Mr S gave the bank initially and can understand the banks concerns and why it wasn't sufficient to show Mr S was entitled to the HMRC payment. After Santander let Mr S know it needed more information, I can see that he sent Santander some of his wages slips and his SA100 statement in February 2020. However, Mr S's account remained blocked with no further contact from the bank until September 2020 when Santander asked Mr S for more pay slips – it said it needed to see a whole years' worth. Mr S complied and sent the bank around 63 wage slips. Due to a technical issue Santander wasn't able to view the wage slips. But Santander didn't let Mr S know about the problems it was having accessing the information Mr S sent to them. So, Mr S was left in the dark about what was happening with the bank's review.

While I recognise that Santander are entitled to carry out a review, I don't consider the account being blocked for a further seven months with little or no contact acceptable. I note too that the information Santander requested in September 2020 could've been obtained at the time Mr S provided information in February 2020. And that Santander didn't make it clear to Mr S exactly what it needed to see from him. I think if it had done so, it's likely Mr S would've produced the information he did in September 2020 in February 2020.

I also can't see Santander took any proactive steps such as contacting HMRC about the Mr S's rebate and actively reviewing the information Mr S gave the bank in September 2020. Santander hasn't explained what it was doing up to the point it released the funds to Mr S. And it was only when the investigator prompted Santander about the length of time the review was taking, that the bank released Mr S's funds in November 2021 – nearly two years later. So, I'm satisfied Santander has caused unnecessary delays in releasing Mr S's funds.

Santander has said the delays were caused by a change in its processes. That may well be the case, but I find taking nearly two years to complete a review unreasonable. So, I'm not satisfied Santander has treated Mr S fairly. Santander has accepted it should have completed its review sooner than it did and should've asked Mr S for the extra information when it first spoke to him in February 2020. Santander has agreed to pay Mr S £300 compensation for the trouble and upset caused by the delay. Mr S has said this isn't enough to reflect the trouble and upset he's suffered.

There isn't a set formula that we use to calculate awards for particular mistakes or poor service. It's my role to consider what impact Santander's actions have had on Mr S and decide, within guidelines set by our service, whether compensation would be appropriate in the circumstances.

Based on the evidence I've seen I think it's fair to say the delays caused by Santander caused Mr S worry and upset. And I agree compensation is appropriate for this. I say this because it's clear to me Mr S was caused distress and inconvenience by Santander's delays. He had to spend time contacting Santander, collating information, and he had to wait more than 18 months for Santander to release his funds. And I accept that this all impacted Mr S's health. So, I can understand how inconvenient and upsetting all of this was for Mr S. And it's only right that Santander recognises this. However, I'm satisfied that a further £300, which brings the total amount of compensation to £500, is fair and proportionate to the trouble and upset Mr S was caused.

In reaching this conclusion I've kept in mind that Mr S was able to access his available money in his account throughout the entire time Santander were completing its review and he's not suffered any financial loss. I know Mr S told the investigator he intended to use the HMRC payment to buy a vehicle for work and attend a course, but I've not seen any evidence to support this. So, while Mr S may disagree with me, I'm satisfied that the compensation recommended by the investigator recognises the impact Santander's actions had in the overall circumstances of this complaint.

Mr S is also unhappy that his account went into an overdraft. And he believes he was charged fees as a result. Mr S withdrew all his funds during the review period and Santander had ringfenced the HMRC credit, which Mr S knew he couldn't access. So, I'm satisfied Mr S was aware he didn't have enough money in the account to fund the direct debits. This meant when direct debits were paid Mr S's account went into an overdraft. So, when Mr S's holiday refund was paid into his account it went towards repaying the overdraft – in other words the money he owed the bank. And not to Mr S.

The terms and conditions of Mr S's current account allow the account to enter an unarranged overdraft where the customer has insufficient funds to cover a payment such as a direct debit. And as the investigator pointed out, if Santander had rejected the direct debits it would've impacted Mr S negatively with the mandate owners and possibly credit reference agencies. I've also kept in mind that Mr S didn't make any alternative arrangements for the payment of his direct debits – such as setting up a new account or crediting his account with funds. I note too that Mr S wasn't charged any fees for being overdrawn. So overall, I can't say Santander has done anything wrong here.

In summary, it's clearly caused Mr S distress and inconvenience when he wasn't able to use his account. And had to wait as long as he did for Santander to release his funds. So understandably he's upset. And I appreciate it must have been a worrying and frustrating time for him. So, I realise he will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I'm satisfied that an additional £300 compensation is fair and reasonable. So, I won't be telling Santander to do anything else to resolve Mr S's complaint.

My final decision

For the reasons I've explained, I uphold this complaint. To put things right Santander UK Plc should:

- pay Mr S a further £300 compensation, in addition to the £200 already paid to him for the trouble and upset caused by the time taken for Santander to complete its review of Mr S's account and release his funds and
- refund Mr S the monthly fees it charged for the account between 23 January 2020

and 16 November 2021

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 17 March 2022.

Ombudsman