

The complaint

Mr O is a sole trader. He complains that Santander UK PLC unfairly declined his Bounce Back Loan application and closed his accounts without notice or explanation.

What happened

Mr O banked with Santander, holding four accounts.

Mr O applied to Santander for a Bounce Back Loan on 16 December 2020, but his application was declined. Mr O submitted a second application on 7 February 2021 and provided some additional information with a view to demonstrating his eligibility for the loan, but the bank maintained its decision.

Santander then wrote to Mr O on 9 February 2021 to advise that as well as deciding not to offer him the loan, it was withdrawing his banking facilities immediately. It restricted all four of his accounts, which were scheduled to be closed in 30 days' time.

When Mr O complained, Santander said it had acted in accordance with the terms and conditions of the accounts and that its decision to withdraw facilities would stand. While it said that it wasn't always possible to provide a full explanation for such decisions, it noted that the decision was made due to Mr O's Bounce Back Loan application and a subsequent review.

Mr O remained unhappy and asked us to look into things. He said that when seeking an explanation from Santander, it had suggested that he check records held with CIFAS (a fraud prevention service with a database of fraud records) – but when doing so, CIFAS had confirmed that it held no records about him. He also said the bank had accused him of fraud. He didn't think Santander had valid grounds for its actions and was concerned that they were motivated by his ethnicity.

One of our investigators reviewed Mr O's complaint but didn't think Santander had done anything wrong. In summary, he thought that Santander's decision to decline the Bounce Back Loan application was reasonable as it had failed the bank's checks. And he said that the terms and conditions of Mr O's accounts allowed for their immediate closure in certain situations – which he thought was a reasonable course of action for the bank to take in the circumstances here.

Mr O didn't accept our investigator's view. While accepting that Santander had the right to decline a loan application if it didn't meet the relevant criteria, he said that this shouldn't have had any bearing on his banking arrangements. He still didn't think that a valid reason for the closure of his accounts had been given, particularly as he'd shown that no adverse information about him was held with CIFAS – so he remained concerned that the bank's actions were based on his race.

With no resolution, the complaint was passed to me to decide.

My provisional decision

I issued a provisional decision on this complaint last month, explaining why I thought it should be upheld in part and inviting both parties to respond with anything they wanted me to take into account before I made a final decision. I said:

The Bounce Back Loan application

While loans provided under both the Bounce Back Loan Scheme were backed by a government guarantee, lenders were still required to undertake certain checks before approving an application. These included “Know Your Customer”, anti-money laundering and anti-fraud checks.

I’ve reviewed the bank’s records of the applications and the checks that it carried out. These show that – as Mr O has been advised – the checks yielded some adverse information about Mr O held with CIFAS. This led Santander to decline both applications. I think it acted in line with the rules of the Loan Scheme in declining the applications on these grounds.

Mr O continues to dispute the presence of any adverse information about him with CIFAS. I’ve taken all of that into account, particularly that he has had confirmation from CIFAS on a number of occasions that there are no records held about him. But there are a number of reasons why he may have received this confirmation, despite a marker being present. This includes, most notably, that the answer Mr O received from CIFAS was only based on any addresses that he provided to it when raising his enquiry – whereas the bank’s checks will have been more complete, checking against any linked addresses and individuals to whom he is financially associated. Additionally, such records expire after a certain time – so it is also possible that the record existed at the time of the bank’s checks, but not at the time of Mr O’s enquiries.

Mr O has explained that he was the victim of identity fraud in 2017. I accept that the CIFAS entries could’ve been a result of that – in other words, an entry made in relation to activity carried out by a fraudster in Mr O’s name. But Santander was entitled to rely on the information it obtained from CIFAS at the time.

Taking all of this into account, I don’t think Santander did anything wrong in declining Mr O’s request for a Bounce Back Loan.

The immediate withdrawal of Mr O’s banking facilities

Although Santander gave Mr O 30 days’ notice before the closure of his accounts, it withdrew the facilities immediately. The bank had the power to do so under the terms and conditions of the accounts – but only in certain circumstances. I don’t think it treated Mr O fairly by doing so in the circumstances here.

After reviewing Mr O’s first loan application – and seeing the adverse CIFAS information – Santander was happy to allow Mr O to retain his banking facilities. It only decided to withdraw its services after the second application on the basis that it thought Mr O had made false declarations when applying. I don’t think this conclusion was reasonable. I say this because:

- Santander thought Mr O had supplied an “inflated and unrealistic” turnover figure when applying for the loan, noting false turnovers being supplied on two occasions. In his second application, Mr O provided a figure of just under £36,000. The account activity supports this figure. He did provide a very different figure when making his first application – of around £3,600,000. But I

think this was likely an innocent typing error rather than attempted fraud, particularly as he'd asked to borrow £9,000 (being 25% of £36,000, his entitlement in line with the Loan Scheme rules).

- Santander's records show it concluded that "no clear business-related activity" had run through the account for more than a year prior to Mr O's application – noting that the last business-related credit was in July 2019. That wasn't correct. Statements for Mr O's accounts clearly show business-related credits – from the same source as that of July 2019 – being made to the account regularly through 2020, including the month prior to his application.

Evidently Santander didn't think the CIFAS information alone was sufficient to immediately withdraw Mr O's banking facilities. And it didn't have any concerns about Mr O's usage of his Santander accounts or the funds held therein. The only basis for its decision to immediately withdraw facilities from Mr O, then, was that it thought he'd made false declarations when applying for the loan. But I don't think that conclusion was reasonable in light of the evidence available to it. It follows that I don't think the bank had valid grounds to take the actions it did.

So I think Santander made an error in closing Mr O's accounts in the manner it did. It seems that, if things had gone as they should have, the bank would've allowed Mr O to retain all of his accounts. While the bank retained the right to end a relationship with a customer if it wished, it would've needed to give Mr O's two months' notice – and unrestricted usage of the accounts – before closing them, in line with the applicable terms and conditions.

As a result of the bank's error, Mr O was forced into arranging alternative facilities for his personal and business banking needs immediately. This was during an already difficult time – the midst of the coronavirus pandemic, which was also impacting the availability of banking facilities (as many banks were closed to new customers, while prioritising support for their existing ones). So this would've caused Mr O some unnecessary stress and inconvenience – particularly as *all* of Mr O's facilities were held with Santander. Mr O had to make a number of applications to other providers before successfully opening a new account elsewhere, around three weeks later.

I think the sudden and immediate withdrawal of facilities would've also been quite concerning and upsetting for Mr O – making him feel he had done something wrong, when at the most it seems he made an innocent mistake in adding some additional zeros to his turnover figure when first applying for a loan. He only discovered that the facilities had been frozen when unable to make a card payment. The bank's actions also led him, understandably, to raise enquiries with the bank and other organisations such as CIFAS and credit reference agencies in an effort to understand what was happening.

Mr O has also been concerned that Santander's actions were motivated by his ethnicity, which I'm sorry to see. I've not found that this was the case – rather, the basis of the bank's actions was the erroneous conclusion that Mr O had made fraudulent declarations in his loan applications. I can see why this matter – given I've not found a legitimate reason for the bank's actions – would've exacerbated Mr O's concerns in this respect.

Taking all of this into consideration, I think it would be fair for Santander to pay Mr O compensation of £500 for the distress and inconvenience that the immediate withdrawal of his banking facilities caused him.

Mr O says that Santander's actions adversely affected his credit rating, which made it difficult for him to open an account elsewhere and ineligible for preferential mortgage rates. But from what I've seen, Santander hasn't registered any adverse information with any external agencies in relation to this matter. There may be a number of reasons why Mr O's credit score may have dropped over the period in question and/or why his applications for facilities may have been unsuccessful. So I don't think Santander is responsible for any issues Mr O has had in this respect.

Santander accepted my provisional decision but Mr O didn't. In summary, he said:

- There was still adverse data being attributed to him that would continue to affect his financial dealings, so he asked that we ensure he was disassociated from these records.
- Santander hadn't considered his longstanding relationship with the bank when withdrawing its services, and the satisfactory way in which he'd managed his accounts. He thought Santander should've given him the opportunity to clarify any issues. This further reinforced his view that the bank's decision was motivated by his race.
- He'd wanted the Bounce Back Loan to expand his business that would've led to a turnover of £150,000, but Santander's actions had prevented him from doing this and in fact he'd had to give up his business altogether. He said this was because the franchisor had terminated his agreement with it on the basis that the replacement bank account he'd obtained was from a provider typically associated with customers who have a poor credit rating.

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've not reached a different conclusion to that of my provisional decision. I'll explain why the further comments and information that Mr O provided haven't changed my mind.

Firstly on the information held by CIFAS (or any other agencies), this isn't something that Santander is responsible for and so not something about which I can direct it to take any action. I've not seen that Santander has reported any adverse information about Mr O in relation to these issues with CIFAS or any other agencies. From what I've seen, it doesn't appear that there is now any information held by CIFAS about Mr O. But he'd need to make his own enquiries with CIFAS and/or the business(es) reporting such information in order to query or remove anything that he is unhappy with.

Mr O highlighted the way in which he intended to use the Bounce Back Loan and that he believes Santander deprived him of the opportunity to do so. But I explained in my provisional decision why I didn't think Santander did anything wrong in declining Mr O's Bounce Back Loan application. I appreciate that Mr O may have found his options limited, in terms of obtaining a Bounce Back Loan elsewhere after Santander closed his accounts, but I don't think that is something that Santander is responsible for. As above, I've not seen that it recorded any adverse information about Mr O, so he was free to apply to other providers – and, importantly, the decisions those providers then reached as to whether to lend or open the requisite account for Mr O weren't, from what I've seen, impacted by anything Santander did wrong.

I can appreciate why Mr O thinks Santander should've contacted him to discuss the discrepancies in the information provided in his Bounce Back Loan applications. But it wasn't obliged to do so. Santander was dealing with a large volume of applications and the aim of the Loan Scheme was to provide finance as quickly as possible – so the application process was heavily reliant on the information provided by the applicant, which was made clear throughout the process. So I don't agree that this further suggests the bank's actions were motivated by Mr O's race.

As I explained in my provisional decision, Santander was always entitled to end its relationship with Mr O. The issue is that it withdrew its facilities immediately, rather than with two months' notice – as I think was appropriate in the circumstances. This means that Mr O would always have needed to find alternative banking facilities – and, in all likelihood, ended up with the account that he now has. It follows that I don't think Santander is responsible for any of the issues that Mr O has experienced as a result of the alternative account he arranged. In any event, he hasn't demonstrated that his new arrangements led to the loss of his business or any other financial loss. In particular, I note that he says his franchise agreement was terminated due to the alternative account he obtained – but there isn't any documentary evidence to confirm this.

I've also noted Mr O's concern with an account statement that he says he's received out of the blue, suggesting that he owes the bank a sum of around £55. That is quite a distinct matter from those raised within this complaint, so Mr O should speak to the bank about this and raise a separate complaint if he thinks it has made a mistake. In a similar way, I've noted that Mr O says he now has no access to records of transactions made through his Santander accounts – but again, this is something that he should speak to the bank about in the first instance. It may be able to provide historic records, even though the accounts are now closed.

In summary then, I still think that the error on Santander's part was only in closing Mr O's accounts without giving him the two months' notice provided for within the terms and conditions. It is right that the bank compensates Mr O for the impact of that error. I've not seen that it caused him a financial loss, so it is only the distress and inconvenience that this matter caused him for which I think Santander needs to pay compensation. To that end, and having taken into account everything Mr O has told us, I still think that £500 is fair for the reasons given in my provisional decision.

My final decision

I uphold this complaint in part and require Santander UK PLC to pay Mr O compensation of £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 16 June 2022.

Ben Jennings
Ombudsman