

The complaint

A company I'll call L complains that Santander UK PLC (Santander) unfairly blocked its account and made it unnecessarily difficult for the block to be lifted.

L is represented by one of its directors, Mr W.

What happened

The full history of this complaint is known well to both parties and was set out in detail by our investigator. So, I've provided a brief summary of the timeline below.

In April 2021, Santander tried to contact Mr W to ask some questions as part of its Know Your Customer (KYC) procedure. It says it made several phone calls, and wrote to Mr W asking him to call Santander to answer some questions. On 19 April 2021, Santander sent a letter to L saying it had blocked L's account pending completion of KYC. It said Mr W could regain access to L's account by calling Santander to discuss the matter.

Mr W says he tried to call Santander several times, but said Santander obstructed him, were difficult to communicate with and wouldn't comply with his requests to write to him. He says Santander agreed to call him back to discuss the KYC, but that call didn't materialise. Because Santander didn't get the information it needed it blocked L's account, pending completion of its KYC procedure.

Mr W contacted Santander after the block and ultimately answered Santander's questions. However, Santander decided it no longer wished to offer banking services to L, so it issued a notice to close L's account on 12 July 2021.

Mr W sought banking facilities elsewhere and told our service he spent several days making arrangements, which was made more difficult due to the ongoing Coronavirus pandemic which was causing backlogs with banks. Mr W eventually managed to open an account with a third-party bank on 9 July 2021. He complained, but Santander didn't uphold his complaint, saying Mr W could now use the account as Santander had received the information it required.

Mr W complained again after Santander delayed closing his account. Santander issued another final response letter, this time saying it hadn't provided the level of service Mr W could expect, and confirming it had waived the fees that were also preventing the account closure. It said the situation could have been avoided if Santander had provided a better level of service relating to its due diligence process.

Mr W didn't feel Santander had done enough, so he brought his complaint to our service, seeking compensation from Santander for the distress and inconvenience it had caused him. Santander offered L £100, but Mr W declined the offer, and sought £6,250 representing 26 days of his time at £250 per day.

Our investigator was satisfied Santander was entitled to ask Mr W KYC questions, but felt its process had caused confusion and unnecessary inconvenience. So, she said Santander

should increase its compensation award to £250. Mr W rejected the outcome, saying it didn't match the compensation he had set out. He asked for an ombudsman to review the matter afresh.

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.

Santander, like all banks in the UK, is under a legal and regulatory obligation to maintain up to date information about its customers. That means that it sometimes has to request information and documents from customers from time to time, in order to comply with its obligations. In this case, Santander asked Mr W questions he felt he couldn't answer, and that Santander could answer themselves based on the information it held about him.

But all banks have to set their own processes by which they can obtain this information, and it's not our service's role to interfere with that process. Instead, we look to see if Santander has applied its process correctly and treated its customer fairly and reasonably in the circumstances of each particular case.

So, while I understand Mr W found Santander's processes frustrating, I can't say it acted unreasonably given it was complying with its legal and regulatory obligations. And I'm satisfied Santander was entitled to set the parameters within which Mr W had to provide the information it requested. That meant it couldn't agree to write to Mr W, as he requested, or deal with him in branch. And it meant he had to spend time on hold while he tried to call Santander.

However, Santander has accepted it didn't do enough to help Mr W during this process. It didn't call him back when it said it would, and Mr W struggled to get through to the relevant person when he called.

With that being the case, I've looked to see what Santander should do to put things right for Mr W. Mr W has told our service how frustrating this experience was, and about the inconvenience it caused. And he's set out the losses he's claiming, totalling £6,500, which is based on 26 days of work at a daily rate of £250.

Before I assess Mr W's claim for compensation, I should set out the parameters under which our service can make a compensation award. Because L was Santander's customer, not Mr W, I can only make an award in respect of losses suffered by L. And while our service can make an award for distress and inconvenience suffered, because L is a limited company, it can't feel distressed and I can't consider the distress experienced by L's director, because Mr W was not Santander's customer.

Nor would I be in a position to compensate L based on Mr W's daily rate. Mr W's time away from day-to-day business matters will have caused L inconvenience, which I can award compensation for, but I haven't seen any evidence to show L suffered a loss equal to the daily rate Mr W is claiming, and L can't simply charge Mr W's daily rate for the usual services it provides its customers under contract, because Santander is not its customer and L has no contract to provide services to Santander.

However, I do think Santander should pay compensation for the inconvenience it caused L. Santander didn't call Mr W back when it said it would, which ultimately led to the first block, Mr W had to make several calls and wait on hold, and Santander made mistakes in closing L's account, which led to Mr W making a further complaint. And I think that caused Mr W to spend a fair amount of time rectifying the issues, which caused L a reasonable amount of

inconvenience. So to put things right, Santander must pay L £250.

My final decision

My final decision is that Santander UK PLC must pay L £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 18 July 2023.

Alex Brooke-Smith
Ombudsman