

The complaint

Mr T trading as T complains that Santander UK Plc blocked and closed his account. He would like a reason and compensation for the commission he has lost.

Mr T is represented by P.

What happened

Mr T had a business account with Santander. The account was used to run a property management business and was credited with commissions for organising rental agreements on behalf of landlords.

On 24 March 2021 Mr T's account was blocked for review. He was then given 60 days' notice to close the account. He was told that no further credits would be allowed into the account. Mr T was told he would have to go into branch with proof of ID to release the funds.

Mr T was also asked to show that he was entitled to the funds in the account.

Mr T provided information to the bank in the form of tenancy agreements on 6 May 2021.

On 7 May 2021 Mr T was allowed access to the funds in his account.

Mr T collected the funds in his account on 18 May 2021.

Mr T has said that the block on the account was very difficult as the money in the account didn't belong to him, it was mostly money that he needed to forward to the landlords he worked with.

Mr T said he was unhappy that Santander had charged him banking fees whilst his account was blocked, and he couldn't use it.

P on behalf of Mr T complained to Santander. They said they were entitled to review and later close the account because Mr T was operating the account in breach of the terms and conditions. They said Mr T's account was being operated by his father who was running the property management business. Santander agreed to refund £15 for the period 23 April to 22 May 2021 which is one month's worth of fees on closure of the account.

P complained to our service. One of the investigators looked into the complaint he said Santander hadn't done anything wrong when it reviewed and closed the account. He thought Santander were entitled to ask for Proof of entitlement of funds. He thought Santander should refund a further £15 in fees from 24 March 2021 to 22 April 2021 as the account was blocked during this period.

P disagreed with the view they said it was unreasonable that Santander took so long to release the funds. They also said Mr T lost some business as a result of the actions of the bank.

As there was no agreement the matter 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.

I'll start by setting out some context for the review of Mr T's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied Santander were complying with these obligations when they reviewed Mr T's account.

Given that Mr T originally contacted Santander because he didn't recognise the account and couldn't remember opening it and then mentioned that his father ran the account even though it was in his name, I can understand Santander needed to ascertain the proof of entitlement to the funds in the account. Whilst they waited for this information to be provided, I would have expected Santander to block the account. I can see that in blocking the account the bank were following an internal process which they carried out in order to comply with their legal and regulatory obligations. This was a legitimate exercise so I can't say Santander was unfair.

Santander gave Mr T 60 days' notice to close the account. A bank is entitled to close an account with a customer just as a customer may close an account with a bank. But before a bank closes an account, it must do so in a way, which complies with the terms and conditions of the account. In this case Santander told Mr T that they would close the account as there had been a breach of the terms and conditions.

I've considered whether Santander acted fairly in closing Mr T's account. I've looked at the terms and conditions of his account and I'm satisfied they did. The terms and conditions outline that the bank can close a customer's account with two months' notice, and in certain circumstances they can close an account with less notice. In this case Santander gave Mr T 60 days' notice but restricted the use of the account. Having looked at these terms and all the evidence I'm satisfied that the bank has applied the terms fairly. And it was entitled to close the accounts as it's already done.

P representing Mr T has said that the bank was unreasonable as it took so long to release the funds. I've looked at the evidence before me and I disagree. Mr T was asked to provide proof of entitlement to the funds in the account and I can see that he provided this to the bank by letter on 6 May 2021. Santander's notes show that the funds were available for Mr T to withdraw from 7 May 2021. He needed to go into branch with proof of ID in order to gain access to those funds. The funds were withdrawn from the account on 18 May 2021. On the evidence I'm satisfied Santander didn't cause any delay here.

P have also said that Mr T lost business as a result of the actions of the bank. I've already said Santander have done nothing wrong here, so I won't be asking them to compensate Mr T for the loss of business.

Mr T mentioned he had been charged a monthly fee even whilst the account was blocked. A £15 fee for the period 23 April 2021 to 22 May 2021 was applied and recredited to the account.

A £15 fee for the period 23 March 2021 to 22 April 2021 was applied to the account. During this period Mr T didn't have access to the account. The investigator recommended that Mr T should be refunded this amount and I agree.

In summary looking at the evidence I am satisfied that Santander acted fairly when they block and closed Mr T's account. But Santander should refund T £15 account fees as detailed above.

Putting things right

For the reasons I have mentioned Santander should refund T £15 for the account fees it paid for the period 23 March 2021 to 22 April 2021 whilst the account was blocked.

My final decision

I partially uphold the complaint. I direct Santander UK Plc to pay T £15 as a refund of account fees as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 6 January 2023.

Esperanza Fuentes
Ombudsman