

The complaint

A company, which I'll refer to as R, complains about the way Santander carried out Know Your Customer (KYC) activity.

Mr B complains on R's behalf.

What happened

Santander told us:

- It is required to carry out KYC checks periodically in order to comply with its legal and regulatory obligations. To do so, it will sometimes need to request further information from its existing customers.
- The terms and conditions of R's bank account said that the account could be suspended if R did not provide the information the bank required.
- It identified that it did not have sufficient information about R and the individuals associated with it, and asked for further information. It later changed its process, with the result that it no longer required "Source of Wealth" information for R – but it still needed other information to complete its KYC requirements.
- R did not provide the information the bank needed, and so it placed a block on R's account in early November 2021. The block was removed around two weeks later after R's representatives attached information to the bank's KYC portal.
- Overall, it considers that it did nothing wrong in carrying out the KYC review, or in asking the questions it did. However, it acknowledges that it is responsible for some avoidable delays. It could have told Mr B earlier that it had changed its mind over the "Source of Wealth" information, and it could have responded earlier to his request that it review all of his communications. It initially offered to pay R £200 in compensation for those delays, then later increased its offer to £300.

Mr B told us:

- He accepts that Santander is entitled to carry out a KYC process, but the way it carried out that process was unreasonable. There are many things it could have done to make the process run more smoothly – for example, one of its local managers (who knew him) could have called him and asked for a meeting, and the matter could have been resolved very quickly.
- He also accepts that he did not fully engage with all of the bank's attempts at contact (the emails and telephone calls that it refers to as "outreach"). But that was because they were unsolicited, the emails contained mistakes, and the calls were from people he didn't know – so could very easily have been a scam. His previous experiences have made him extremely wary of attempts to acquire his personal data. He tried to ask Santander whether the contact attempts were legitimate, but he did not receive a

response.

- He considers that Santander used him as a “guinea pig”, sending him a questionnaire which it has since withdrawn from use. If Santander was beta testing a new process, it should not have also threatened draconian reactions such as freezing R’s account – particularly when the problems were of Santander’s own making.
- Santander made many mistakes, including (but not limited to) confusing his home address with his company, and using “donotreply” email addresses for a very serious matter.
- Overall, Santander’s offer of £300 is nowhere near sufficient. The entire process took around 125 hours of his time. He considers that perhaps as many as 25 hours would have been reasonable, but the other 100 were not. If Santander were to pay £300 for 100 hours of wasted time, that works out at below minimum wage – which cannot be right.
- Apart from the KYC process itself, R also suffered the inconvenience of having to having to open a new bank account with another provider. Its director was embarrassed at having his debit card refused, which caused reputational damage because R appeared not to have sufficient funds to trade.

One of our investigators looked at this complaint, but did not uphold it. Briefly, he said:

- Santander is required to carry out KYC checks. It has considerable discretion as to exactly how it carries those checks out, and as to precisely what questions it asks. It is entitled to change its process – for example, it is entitled to decide it no longer needs “Source of Wealth” information. The change does not mean Santander was wrong to request information in the past.
- Santander didn’t do anything wrong in deciding to carry out the KYC checks, and so it shouldn’t have to pay compensation for any resulting inconvenience. But it did cause some unnecessary delays. The amount of £300 is fair compensation for those delays.

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 am sorry to further disappoint Mr B, but having done so there is very little I can add to what our investigator has already said.

I fully accept that the KYC process was inconvenient for both R and Mr B. I consider that Santander’s compliance with its regulatory obligations will inevitably cause some inconvenience to some of its customers. But that doesn’t mean Santander has done anything wrong, or that it should have to pay compensation.

I recognise that Santander changed its mind during the KYC process, in particular as to whether it required R to provide evidence as to the source of its wealth, but I agree with our investigator that it was entitled to make that change. I don’t think it would be right for me to award any compensation for inconvenience suffered as a result.

I also acknowledge that Santander could have carried out its KYC process differently. Mr B is right to say that Santander could have arranged for a member of staff known to him to make an initial phone call. But Santander wasn't required to do that. It is not part of my role as an ombudsman to dictate to Santander precisely how it should meet its KYC obligations.

It is understandable that Mr B was worried about fraud, particularly in light of his previous experiences. It is unfortunate that some of the emails he received that were genuinely from Santander contained spelling mistakes and/or what Mr B describes as hieroglyphics (such as apostrophes being replaced by apparently random characters). I can see why, as he puts it, his "Scam Alert radar was well up". Santander also failed to reply to Mr B's questions about whether certain emails were scams. But he was still able to (and did) contact Santander about the KYC process, and so I don't think Santander's errors prevented him from providing Santander with the information it needed.

Mr B ultimately decided to move away from Santander, and opened an account for R with an alternative provider. Whilst I can see why he made that choice, I don't think Santander was responsible for it – and so I don't think it would be fair for me to order Santander to pay compensation to R for the inconvenience of moving provider.

Putting things right

Santander accepts that it made some errors here: it delayed telling Mr B about the change in its process; and it did not respond to some of his concerns as quickly or as comprehensively as it could have done. But I don't think either of those issues made a material difference to how quickly the KYC process was completed, and so I don't think they contributed to the blocking of R's account. I am satisfied that R did not suffer financial loss or reputational damage as a result of Santander's errors.

Overall, I consider that Santander's offer to pay £300 to compensate R for the inconvenience caused by its errors is fair and reasonable. I stress that that offer is not intended to compensate R for all the inconvenience suffered as a result of the KYC process – only for the inconvenience suffered as a direct result of Santander's errors.

My final decision

My final decision is that Santander UK Plc's offer to pay R £300 is fair and reasonable in all the circumstances of this complaint. I do not require it to do anything more.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 3 February 2023.

Laura Colman
Ombudsman