

The complaint

Mr N complains Santander UK Plc (“Santander”) blocked and closed his accounts after initiating a review. Mr N adds the blocks led to payments not being made to his credit card account, adversely affecting his credit file.

What happened

In early November 2022, Santander started a review of Mr N’s accounts and attempted to contact him about queries it had. Mr N says he was concerned the calls he was receiving from Santander weren’t genuine – so he didn’t answer them.

Around a week later, Mr N called Santander and was told he would need to provide documents as part of its “Know Your Customer” (KYC) review. These were three months’ payslips, annual accounts, and his tax self-assessment.

In early December 2022, as it hadn’t received this information, Santander blocked Mr N’s accounts. Mr N explained he couldn’t provide the documents he’d been asked to. But based on what Mr N told it on a call, Santander asked Mr N to provide statements from his account with his external provider, and his savings and investment statement.

Mr N asked Santander to close his accounts but was told he would need to provide the information it needed for its KYC review before it could do that. Mr N explained to Santander that a payment of around £165,000 into his account in 2021, which he’d been asked about, related to the sale of his flat - for which he had held a mortgage with Santander for.

When Mr N’s accounts were blocked in December 2022, direct debit payments from his current account stopped being made to his Santander credit card account. Mr N missed his contractual payments. This adversely affected his credit file.

Unhappy with Santander’s actions, Mr N complained. Santander sent Mr N its final response on 20 January 2022. Santander reiterated it needed Mr N to send it three external bank statements, and his savings and investment statement to comply with its regulatory requirements. And it also needed this information to remove the restrictions on the accounts.

Mr N referred his complaint to this service. In late January 2023, Santander wrote to Mr N and explained it was closing his accounts with two months’ notice in line with the terms and conditions of the accounts.

Once Mr N’s accounts were closed in March 2023, the funds in them were released to him by cheque. In April 2023, Mr N called Santander’s credit card department and paid off his balance of around £5,640.

Mr N was unable to make a payment using an external account over the phone but agreed to send a bank transfer by ‘Faster payment’. Around a £107 was refunded as a gesture of goodwill by the agent against this balance as Mr N explained he had incurred charges and interest during the time his account was blocked. This refund was for the previous month’s purchase interest and late payment fee.

One of our Investigator's looked into Mr N's complaint, and they recommended it isn't upheld. In summary, they found:

- Santander was complying with its legal and regulatory obligations when blocking Mr N's accounts
- Mr N returned Santander's call on 10 November 2022. Santander explained it needed some documents from him as part of its KYC review. The accounts were blocked pending Mr N's response
- Because of the blocks, Mr N's direct debit payments to his credit card weren't paid. Santander sent several letters about this, including that Mr N needed to make alternative payment arrangements. As Mr N didn't do this, his credit card account fell into default and charges were applied
- Mr N said he had other funds but didn't want to use them. As Mr N didn't mitigate his losses by making alternative arrangements to pay, Santander doesn't need to refund any charges or amend his credit report
- As Mr N didn't provide Santander with the information it requested as part of the KYC review, they won't be asking it to amend Mr N's credit file or refund any charges or fees
- Santander closed Mr N's accounts by giving 60 days' notice – this was in line with the terms of the account

Mr N didn't agree with what our Investigator said. Mr N also approached his Member of Parliament (MP) for support with his complaint.

To keep matters simple, here's a summary of the key points they've made in response to what our Investigator said:

- Mr N had sold and redeemed his mortgage a year before Santander carried out a KYC review and asked questions about these funds. As it was a Santander mortgage that was redeemed against the flat, it should've held this information already
- Mr N doesn't understand the reasons why his accounts were under review and why they were blocked
- Mr N couldn't provide Santander with the documents it required as he was in between jobs, which he had explained. He sold the flat as his business was suffering heavy losses during the pandemic
- Mr N had sufficient funds from the sale of his flat but needed them for rent and living expenses. And he was in the process of starting a new job in February 2023 and would've been paid in March 2023
- Santander didn't explain why the accounts were restricted – and he could've provided the information it needed for whatever needed to be proved
- Santander didn't explain what would happen when the accounts were restricted. Had he known the direct debits payments wouldn't be made, he would've paid off the card immediately. This all happened whilst he was abroad, and he didn't get an email or in-app message about it

- Mr N knows Santander was trying to call him, but it was from a number he didn't recognise nor was it listed on its website. Mr N thought it was a scam and reported it to Action Fraud
- Mr N only received one letter from Santander about his account restrictions. And he didn't get any help from Santander in relation to the outstanding credit card balance – especially as the funds were available in the account's he held with it
- Mr N assumed that as the accounts and direct debits were suspended, so was his credit card. He assumed he couldn't move money to pay off the balance and didn't want to end up locking his money and it being inaccessible
- Mr N was told by Santander that once the accounts were restored, it would be able to reverse all the charges and fees
- Santander was refusing payment on the credit card from available funds in his Santander account
- Mr N wouldn't have been able to settle the credit card balance without giving Santander all the money he had at the time. Santander was unwilling to help
- The matter could simply have been resolved by Santander closing the accounts and using the funds to settle the credit card balance
- Santander refused to close the accounts unless Mr N gave them documents which he didn't have
- The Financial Conduct Authority's (FCA) Consumer Duty came into effect on 31 July 2023, and this sets out that firms need to provide helpful customer service which is easy to access

Mr N has also explained that the adverse markers on his credit file will affect him for six years meaning he won't be able to get another mortgage, or other required credit, during that time.

As Mr N didn't agree his complaint has been passed 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.

Having done so, I've decided not to uphold Mr N's complaint. I know Mr N feels strongly about his complaint, so I'll explain why.

Account restrictions

Banks in the UK, like Santander, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

These obligations generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes KYC checks and/or Customer Due Diligence (CDD). It's worth noting these checks include not just the

verification of a customer's identity, but also establishing the purpose and intended nature of the business relationship and origin of funds.

Mr N questions why Santander needed to carry out a KYC review when it could have looked at its own records to see that a payment of around £165,000 came from a sale of property which he had had mortgaged with it.

I've seen that Mr N did have a mortgage with Santander and this account was closed around the time he says he sold the property in 2021. So I have no reason to question that was what it was for. But having looked at Santander's internal notes, I can see it asked Mr N for information outside of documentation related to the sale of the property.

Firstly Santander asked Mr N for documents related to any salary, annual accounts and tax self-assessment on 10 November 2022. This took place on a call Mr N made to Santander relating to the review. Mr N has told us that he was a director of a business at that time, as he still is. So I don't think asking for this information was an unreasonable request.

As Mr N didn't send Santander this information, it blocked his accounts in December 2022. Santander's internal notes show it spoke to Mr N again in January 2023, who told it that he was currently unemployed, so he didn't have any payslips, accounts or HMRC self-assessment forms.

Mr N had also explained that his main account was with another external bank, and he had around £50,000 in savings and investments. Based on that Santander asked Mr N to provide bank statements for that external account for the past three months, and a statement relating to his savings and investments.

Santander's internal notes show that it called Mr N two days later, and he told it that he wouldn't be providing the information and he wants the accounts closed. Santander explained that it would need the information its requested before it could lift any restrictions.

I note also that Mr N was sent two emails in January 2023 from one of Santander's complaints manager's that it cannot release any funds without the documents requested earlier that month. The email also says that Mr N had indicated he was unhappy to provide these.

Mr N says he can't see why Santander needed to ask him about the funds originating from the sale of his flat a year prior when it should hold those records. But in addition to information about that, Santander had also asked for proof of his source of income in November 2022, and later after speaking to Mr N again amended this request to information from his main external bank account and details about his savings and investments.

Mr N says he couldn't provide Santander with the documents it required as he was in between jobs, which he had explained. And he sold the flat as his business was suffering heavy losses during the pandemic.

Mr N has also explained to our Investigator that he had had enough of having to explain his payments abroad when on holiday to Santander. And he refused to provide the documents Santander was asking for because he didn't want to spend any more time justifying why and how he used his account.

Santander doesn't have call recordings for all the times it interacted with Mr N about this matter given the time that's elapsed. This is unfortunate. But it has been able to give me some calls. One of these calls relates to when Mr N called Santander to pay off his credit card balance in April 2023. Mr N tells the agent on that call that he didn't provide the

documentation Santander was asking for as it would take up a huge amount of his time, so he asked for the accounts to be closed.

I've already said that Santander has important regulatory and financial obligations it must adhere to – which include its KYC obligations. Having carefully considered the information Santander asked Mr N to provide initially in November 2022, which I note is more than that which relates to the sale of his flat, I'm satisfied Santander has acted reasonably here and in line with its obligations.

I note too that Santander changed its information request from November 2022 based on Mr N's circumstances. So I'm also persuaded it was being flexible and reasonable.

The information requested relates to Santander's KYC obligations, in so far as establishing the purpose and intended nature of the business relationship and origin of funds. So I don't think Santander has done anything wrong in requesting this information. As this information covered areas outside of Mr N's property sale in 2021, I don't think Santander could've obtained it without it being provided by Mr N independently.

The next question I need to address is whether Santander acted in line with its obligations and terms of account when restricting Mr N's accounts in the way it did. I'm satisfied that Santander made reasonable attempts to speak to Mr N, and that it had explained it needed this information for its review.

The evidence related to Mr N not providing this information ranges from not having it, to not wanting to provide it because of how long it would take, and to being disgruntled with Santander's because of its requests for such information previously.

These reasons are somewhat inconsistent. But after carefully weighing this up, I'm persuaded that it's possible that all these reasons played a part in Mr N's thinking at the time. But from what I've seen, I'm satisfied Mr N could have provided the information - albeit that it would have taken time. He had said as much, and the information requested would have been obtainable.

I'm also persuaded, given what Mr N has said about this, that Santander acted reasonably in concluding Mr N was refusing to provide this information. This led to Santander having good reason to be concerned and then blocking the accounts.

Not fulfilling its KYC obligations can lead to severe consequences for Santander. So I don't think it did anything wrong when deciding to block Mr N's accounts in the way it did until it was able to satisfy its regulatory obligations.

Account closures

Santander is entitled to close an account just as a customer may close an account with it. Mr N had two deposit taking accounts with Santander. But before Santander closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which Santander and Mr N had to comply with, say that it could close the account by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Santander gave Mr N two months' notice of closure. But in practical terms this wasn't two months' notice given Mr N didn't have access to his accounts during the notice period. Having carefully reviewed the terms of the accounts, I'm satisfied that closing the accounts

in this way was still in line with what the terms say about closing an account with less than two months' notice. So I don't think Santander did anything wrong in the way it closed the accounts.

Credit card and adverse credit

This brings to me what I consider a key issue of Mr N's complaint. That is:

- Santander failed to communicate effectively with Mr N about the consequences of the restrictions and how they could impact his credit card account
- Santander's restrictions meant he couldn't use the funds he could afford to use to pay his credit card payments
- Santander should have used the balance from his two deposit accounts to pay off his credit card balance
- Santander has unfairly charged him interest and charges during the time the accounts were restricted
- He was told by Santander that once the accounts were restored, it would be able to reverse all the charges and fees

When a bank account is restricted in this way it generally means the customer cannot exercise any control over it, access it, and make payments out of it whilst its suspended.

Mr N's account which the direct debits were paid from was blocked in December 2022. Santander has sent Mr N's credit card statements from January 2023 until May 2023 to me. Having reviewed these, I'm satisfied Mr N's credit card payments were not made from December 2022 up until he cleared the balance in April 2023. It's also clear that Mr N was charged a late payment fee on each statement, and continually charged interest during this period.

Santander's records from its internal systems show that two letters were sent to Mr N when the accounts were blocked. I've also seen letters Santander sent Mr N from January 2023 onwards explaining that his credit card payments hadn't been made and what he needed to do to make alternative payment arrangements. These letters also include a telephone number for Mr N to call and direct him to do so if he's any problem making payments. Santander's letters also explain the charges that will be made to the account for the missed payments.

Having reviewed all this information, I'm satisfied Mr N knew his accounts were blocked and Santander sent him enough information about this - and that his credit card payments were not being paid. I also note from the bank statements I've seen that Mr N was likely paying off his full credit card balance each month. So given the amount that was outstanding and how most of his current account funds would be used to pay this off, I think Mr N ought to have been reasonably aware of the implications when the blocks were applied.

I haven't expressly seen that Santander explained the block of the accounts would mean no direct debit payments would be made. I don't have a copy of the account block letters that were sent to Mr N in December 2022 - only a record that they were sent.

Having carefully considered this, I'm persuaded an account being *blocked* means there will be no activity on it in relation to outgoing payments and transactions – and its reasonable for Mr N to understand this is what it meant. And if he wasn't sure, he should have contacted

Santander.

I also think that Mr N has been given timely and clear information that his direct debit payments weren't being made. Mr N says this all happened when he was abroad, and he didn't get an email or in-app message about it. But I haven't seen that he made Santander aware of this – so I don't think it's done anything wrong in sending Mr N letters to his registered address.

Mr N has said he didn't pay off the credit card balance from his other funds held in external accounts because by doing so this would likely have caused him a cash flow issue. And he only did so when he received his Santander funds in April 2023. Mr N has also said that had he known his direct debit payments weren't being made, he would have paid off the card immediately.

Mr N also says he assumed that the suspension of his bank accounts also related to his credit card account. So he didn't need to make any payments until the restrictions were lifted.

Mr N's testimony here is inconsistent. On one hand he says he didn't have the funds available outside of those blocked to make a payment to clear the balance, but on the other hand, he didn't know his payments weren't being made and he assumed the account and payments for it were suspended.

Mr N never contacted Santander when his direct debit payments started failing. Had he done so, as set out in the letters he was sent, he could've made payment in an alternative way – as he was able to do in April 2023. This would've prevented his payments being late and any adverse credit markers being placed against him.

I can direct Santander to remove any adverse credit markers from a report. But to do so, I must find that it has made an error or acted improperly. After weighing this up, I don't think it has. Santander gave enough information to Mr N that his accounts were blocked and when his direct debits failed, that he needed to make alternative arrangements to pay his credit card and could contact Santander to do so. I've already said the blocks were applied fairly.

Mr N says that Santander should have used his funds held in his deposit account to pay off his credit card. Those accounts were blocked because of concerns Santander had after information it needed for its KYC checks weren't met by Mr N. On one hand it's possible it wasn't something Santander could do given the obligations it was adhering to.

Broadly speaking, using funds held in separate accounts in this way to pay-off a debt is often referred to as a 'right of set-off'. Santander's credit card terms and conditions say:

"You authorise us to take payments due to us under this agreement from current or savings accounts you have with any Santander Group company if you do not pay them on time yourself. We will give you advance notice and will not take payment if we consider that the funds in the relevant account will be required to pay standing orders or direct debits pending at the time we intend to take payment"

This provision says that Santander can exercise this right if payments aren't made on time. So even if Santander was able to do this, Mr N's account would have had to be in default of the regular agreed payments to do so. This means it wouldn't have made a difference in any case as Mr N's credit file would've been adversely affected, and interest and late charges applied.

Mr N says Santander told him that all interest and charges would be refunded once he

settled the balance outstanding. But I haven't seen any evidence of this.

Lastly, this brings me onto whether I think being charged late payment fees and interest on the credit card is fair in these circumstances. Mr N could have paid off his balance, or given the cash flow issue this presented, made the minimum payments to avoid late payment fees had he contacted Santander. So I don't think these charges have been added unfairly. Santander has also acted in line with its agreement by charging interest on money owed to it. So I won't be asking Santander to refund these costs to Mr N.

In reaching this conclusion, I've also considered that it was Mr N's failure to send documents Santander needed to complete its regulatory obligations that led to this situation arising. And Mr N was aware his accounts were blocked, which should reasonably have led him to take action to safeguard his financial commitments – which he failed to do.

To award compensation for financial loss, distress and inconvenience, I must reach the conclusion that Santander did something wrong. But after carefully considering everything that's happened, I don't think Santander has acted improperly. So it doesn't need to do anymore than that which it already has.

Lastly, Mr N has raised the FCA's Consumer Duty which amongst other things sets out that firms need to provide helpful customer service which is easy to access. This Duty came into effect on 31 July 2023 and doesn't apply retrospectively. But Santander still had to provide clear, timely and effective communication to Mr N. And, for the reasons I've already explored above, I think it did.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 16 February 2024.

Ketan Nagla
Ombudsman