

The complaint

Mrs L and Miss T complain that Santander UK Plc blocked and later closed their account. They would like compensation and for Santander to change their process. Mrs L and Miss T are represented by Mr L.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mrs L and Miss T had a joint savings account with Santander. Miss T used the account to have her pension payments paid into it.

Santander carried out a review on the account and blocked it. It contacted Mrs L to request information from her about the source of funds and general know your customer information including information about her property, its value, any outstanding mortgage and wanting to have sight of the deeds to the house. Mrs L thought the questions were intrusive and not relevant.

Mr L had two meetings in branch as well as several calls to try and resolve the issue without providing the information that Santander said it needed and Mr L thought was excessive.

Santander gave 60 days' notice to close the account on 5 April 2023. The account was to close on 5 June 2023. The account remained blocked during the notice period. The account balance was released to Mrs L and Miss T.

The bank said it was complying with its legal and regulatory obligations when it asked the questions of Mrs L.

Mrs L and Miss T complained to our service. One of the investigators looked into the complaint. She thought Santander had delayed the review of the account so should pay compensation of £50 and 8% simple interest on the account balance for 152 days.

Santander agreed.

Mr L disagreed. He said that Santander had gone beyond the requirements of what's needed by the Financial Conduct Authority and the government regulations. Mr L said he didn't think Santander had complied with principle 6 and 7 of the FCA handbook.

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 Mrs L and Miss 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 entitled to review the account and request up to date information about the account holders.

The information Santander was asking Mrs L to provide is fairly standard information that banks, and other financial businesses are required to have in order to adhere to the Know Your Customer responsibilities (also known as Customer Due diligence or CDD) as set out by the regulator – The Financial Conduct Authority. So, whilst I accept this caused Mrs L inconvenience, I can't say Santander treated her unfairly when it asked (or at least attempted) to ask Mrs L to provide the information

I am aware that Mrs L was concerned because of the nature of the questioning and what she has referred to as the aggressive nature of the call, that she may be the subject of a scam and so she was unwilling to give the information requested over the phone and preferred to go into branch.

Mrs L has said she was asked about owning a house, having a mortgage, the value of the property and the caller said they wanted to see the title deeds. I have listened to the call with the Santander representative. I accept that the questions Mrs L was asked may seem irrelevant when considering the activity in the account. The account is used mainly to receive pension payments from Miss T's pension.

Mr L has said he became concerned and having contacted both his local Santander branch and the FCA he was advised that the questions asked regarding the mortgage and request for title deeds didn't seem necessary. He also did his own research in regard to the legal and regulatory obligations – having done so he didn't think the questions were relevant to the way the account was being used.

Mr L is suggesting that Santander shouldn't have asked the questions they did regarding source of wealth of Mrs L. He says that there are other riskier customers who the bank should concentrate its attention on. Ultimately Mr L doesn't think Mrs L should have been treated by the bank as a regulatory risk and asked what he considers such invasive questions.

Mr L would like us to agree that the application of the rules and principles in this case have been wrong and disproportionate. Mr L says that under the guise of legal obligations or money laundering banks are allowed to request an individual to provide any information it requires. He says this means citizens have no right to privacy. He suggests this is not what the government website or the FCA suggests.

I thank Mr L for his comments. But I have to look at things from both sides. Santander has important legal and regulatory obligations that it has to carry out, and they risked being penalised if they failed to do so. I appreciate that Mr L says they didn't represent a regulatory risk whereas Mrs L was treated as such by Santander. However, in conducting their KYC review Santander is entitled to request additional information. And although I acknowledge Mrs L's comments that the bank was exceeding its requirements, I don't think it follows the bank was restricted from going further if it wished. As a financial institution Santander isn't able to assume the answers to potential questions will be satisfactory to them. And ultimately, I think the information it requested was legitimate.

Overall, I've kept in mind that Santander are obliged to have in place effective measures and procedures to ensure they comply with their legal and regulatory obligations. Santander

were entitled to put in place their own internal procedures to ensure such compliance. And it's not my role as an Ombudsman to direct Santander as to how they should meet their KYC obligations.

I can't fairly say the bank wasn't entitled to ask for such information it determined it needed to satisfy itself it had carried out the regulatory obligations required of it.

I note Mr L wants Santander to change its processes. Unfortunately, that isn't something that this service can require a firm to do. Mr L may want to contact the regulator, the Financial Conduct Authority.

Account closure

Mr L refused to provide the further information that Santander requested regarding Mrs L's house, including the mortgage and proof of ownership. Following this Santander closed the account. The account remained blocked during the notice period

Santander closed the account because Mrs L failed to provide the information required, I don't think that is unreasonable of Santander to have done so as they did not receive the necessary information required to allay those risks, So, I do not consider that closing the account is a disproportionate measure to take.

Santander's terms and conditions also state that they are entitled to close an account without notice if at any time the customer fails to meet any checks required by law or regulation.

I am satisfied Santander gave Mrs L clear and sufficient notice of what was required and set out what would happen if the information wasn't provided. So, I don't think Santander acted unfairly when it closed Mrs L and Miss T's account.

Principle 6 and 7

Mr L has said that Santander have breached Principle 6 and 7 of the FCA principles. Mr L thinks the information requested by Santander is completely disproportionate and infringes their right to their personal information and therefore infringes principle 6, namely, to treat a customer fairly. He thinks the request for further information is a Santander requirement and not information needed to comply with legal and regulatory obligations. He thinks Santander have infringed principle 7 to communicate information clearly, fairly and in a way that isn't misleading.

Mr L has said that he asked Santander three times the questions presented to him by the FCA following his call to them without receiving an answer, so he concluded that the information request was a Santander requirement and didn't provide the information.

Mr L seems to be suggesting that Santander haven't acted fairly when they asked Mrs L the questions regarding source of wealth. I appreciate that Mr L thinks the questions are irrelevant and there is something sinister in Santander asking them.

Although Mr L has concerns over the relevance of the questions asked, as I've already mentioned I can't fairly say that Santander aren't entitled to ask these questions or that there is anything sinister in asking them. The FCA isn't prescriptive about what a firm is entitled to ask and it's up to firms to decide how they satisfy themselves of their obligations. I don't think Mrs L has been treated differently to anyone else in this position so I can't agree that Santander have treated her unfairly under Principle 6.

In relation to Principle 7, I don't think Santander have misled Mr L in the questions they have asked. Mr L has said he doesn't think Santander are being truthful in claiming they are asking these questions as part of their compliance with legal and regulatory obligations. Santander are entitled to check the source of funds and the source of wealth of their customers, and I am satisfied this is what they were doing when they asked Mrs L for information about her property. I don't therefore think Santander have breached Principle 7 – they have communicated clearly and fairly, and I don't believe they have misled Mrs L.

Delays

The investigator has said Santander caused some delays in investigating the account. She awarded £50 compensation and interest at 8% simple on the balance on the account for 152 days.

Having looked at the evidence I'm satisfied Santander should have carried out the review more promptly and Mrs L wouldn't have been deprived of the funds for so long. Having said that I'm aware the funds were Miss T's who lives abroad so the impact was not as great as for someone who used the account for daily expenditure payments. So, I'm satisfied that this is fair compensation.

My final decision

For the reasons stated above I partly uphold this complaint. I require Santander UK Plc to pay Mrs L and Miss T

- £50 compensation for inconvenience of the delay.
- 8% simple interest on the balance in the account for a period of 152 days.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Miss T to accept or reject my decision before 28 March 2024.

Esperanza Fuentes
Ombudsman