

The complaint

Mrs R has complained that Santander UK Plc (“Santander”) misplaced a banker’s draft that had been issued to Mrs R from the estate of a deceased relative who lived overseas.

What happened

Mrs R paid in a banker’s draft for a large sum of Canadian Dollars to Santander on 10 August 2022. Santander deducted a £10 handling fee from Mrs R’s account on 18 August 2022, but the proceeds of the banker’s draft never reached her account. It later transpired that Santander had mis-placed the banker’s draft.

Once it was established that the draft had been lost, Santander contacted the overseas bank (“third-party bank”) that had issued the banker’s draft, to explain that it had been lost and requested that a copy of the banker’s draft be issued. However, the third-party bank rejected Santander’s request and explained (to Mrs R) that it would not issue a copy of the existing banker’s draft. Instead, it agreed to issue a new banker’s draft - providing Santander issued an indemnity letter in case the original draft was located and cashed.

In its final response letter, Santander acknowledged its errors and agreed to pay Mrs R £500 compensation for the distress and inconvenience caused.

One of our investigators assessed the complaint and they upheld the complaint. They acknowledged that Santander had already offered to pay Mrs R £500, which they thought was fair. But they also instructed Santander to do more to assist Mrs R in finding a solution to resolving the matter. They also said that Santander should consider reimbursing Mrs R for any other costs she may incur in arranging for alternative methods for the payment to be made.

As the funds had still not been paid into Mrs R’s account, the matter was referred for an ombudsman’s decision.

After the matter was referred for an ombudsman’s decision, the missing banker’s draft was located. I understand that it was cancelled, and the payment was made to Mrs R electronically by the third-party bank.

I then issued a provisional decision explaining why I thought the complaint should be upheld. I have included an extract of my provisional decision below, and it forms a part of this decision.

“What I’ve provisionally 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 reviewed everything, I’m currently minded to uphold this complaint. I will explain why.

It's not in dispute that the banker's draft couldn't be paid to Mrs R due to Santander misplacing the banker's draft. I understand it had sent the draft to the wrong address when it was processing the payment. It's also good to hear that the payment was eventually made to Mrs R, albeit around a year after Mrs R had first presented the banker's draft to Santander for payment. Therefore, all that's left for me to consider is what Santander needs to do, to put matters right.

Firstly, I think that the award of £500 compensation is fair. I say this considering how long the matter went on for and also for the inconvenience that Mrs R experienced in contacting Santander and the estate of her relative multiple times over several months, in an effort to get matters rectified. I would like to point out that I can't make any awards for any distress or inconvenience that the estate experienced. So this amount solely reflects the impact this matter has had on Mrs R.

I note that since the investigator issued their assessment on the complaint, Mrs R says that the compensation for the distress and inconvenience should be increased. In summary, Mrs R says that it should be increased because, although she was happy with the figure of £500 when the investigator issued their assessment, the matter went on for a further 5 months. Mrs R says that she didn't know if the matter would ever be resolved.

However, although I recognise that it has taken a fair amount of time to reach this stage (and importantly, the delay in getting the payment processed will be reflected in other aspects of the redress), I can see that Santander has continued to try and resolve this issue for Mrs R. But Santander's attempts to get the payment processed (by offering an indemnity and requesting a copy of the draft) was declined by the third party bank, which said that a replacement of the draft would need to be obtained by the 'purchaser' instead. Therefore it seems that a part of the reason why the draft could not be paid (and therefore matters were delayed) was because of the third party bank's refusal to accept Santander's offer of indemnity – which I can't reasonably hold Santander responsible for.

Also, although I appreciate why Mrs R was concerned that she wouldn't receive the payment, it's also the case that our service had not exhausted our investigation into the matter (as the case was still awaiting to be reviewed by an ombudsman). And as it turns out the bank that issued the draft was able to locate the missing draft with the assistance from Santander and was able to get it cancelled and the payment processed. So from what I can see, Santander did continue to try and resolve matters for Mrs R since the investigator's assessment. So in the circumstances, I still think that £500 is a reasonable amount of compensation for the distress and inconvenience that Santander caused in this matter.

In addition to making an award for the distress and inconvenience caused to Mrs R, I also recognise that the exchange rate may've changed in the time between when the banker's draft would've been paid and when the funds were actually paid to Mrs R. Had the payment been made when it should've been, then of course Mrs R wouldn't have experienced such a loss.

Therefore, I'm currently minded to say that Santander should pay Mrs R any difference in the exchange rate between when the draft was likely to have been paid and when the payment was actually made.

I understand that the draft was likely to have taken between two – eight weeks for the payment to be processed. Mrs R has given a date range of this occurring between 8

September 2022 and 13 October 2022. However, I understand that Mrs R paid the draft on 10 August 2023. So I'm currently thinking of using the date of 7 September 2022 as the date to determine the likely exchange rate she would've received – this being the halfway point between when the consumer paid the banker's draft in and the latest date she could've received the money.

Therefore, I currently propose that Santander uses the exchange rate of Canadian Dollars to British Pounds on 7 September 2022 to reflect what exchange rate would likely have been applied to the draft had it been paid as expected. Santander should then compare that rate with the exchange rate that Mrs R did receive, and if there is any shortfall in the amount paid to Mrs R, Santander should reimburse Mrs R the difference. Mrs R has provided evidence to show that the value of the draft was \$19,893.03 CAD and when the payment was eventually made, she received £11,717.36 GBP.

In addition to the above, I also recognise that in the time that Mrs R has been deprived of having use of that money. I currently think that Santander should pay Mrs R compensatory interest on the amount that was subsequently paid to her from the third-party bank, plus any difference in the exchange rate as mentioned above, at a rate of 8% simple annual interest, less any tax that is deductible.

Having reviewed everything, although matters have clearly not gone as they should've, I think that the above would put Mrs R back into a similar position that she would've been in, had Santander not misplaced the banker's draft.

Putting matters right

So in summary, I currently think that Santander should:

- Pay Mrs R £500 compensation for the distress and inconvenience caused to her by this matter;*
- Use the Canadian Dollar to British Pound exchange rate on 7 September 2022 to determine the likely exchange rate that would've applied had the draft been paid. If Mrs R received a worse exchange rate when the funds were actually paid to her by the third party bank, Santander should pay Mrs R the difference; and*
- Pay 8% simple annual interest on the amount that was paid to Mrs R by the third party bank and on any difference caused by changes to the exchange rate, less any deductible tax. This should be calculated between 7 September 2022 and when the third party bank paid Mrs R the money from the lost bankers draft."*

Mrs R responded to the provisional decision. Mrs R says she accepted the provisional decision, but asked that Santander also refund her the £10 fee she was charged to cash the banker's draft.

The investigator contacted Santander to explain that Mrs R had asked that the £10 processing fee also be refunded to her and that I thought that this was reasonable in the circumstances.

Santander responded and agreed to the findings of the provisional decision and to also refund Mrs R the £10 fee as well.

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.

Based on the response from Mrs R and Santander, I see little reason to reach a different outcome to the one I reached in my provisional decision. Although, as outlined above, I also thought that Mrs R's request that the £10 processing fee she was originally charged should also be refunded, as she never received this service.

So in summary, it's apparent that when Mrs R wanted to pay in an overseas banker's draft into her Santander account, the banker's draft went astray whilst Santander was processing the payment.

Because of this, Mrs R did not receive the money from the draft until around a year later, when the draft was eventually located, cancelled, and the money transferred electronically instead. It appears that this delay potentially resulted in Mrs R receiving less money (due to changes in the exchange rate) than she would've received, had the banker's draft been paid in when it should've been.

In the circumstances, I don't think it is fair if Mrs R lost out due to any changes in the exchange rate, as the delay in the payment was largely caused by Santander's failure to process the banker's draft correctly.

I also think that the £500 compensation for the distress and inconvenience caused is reasonable in the circumstances. I say that because, although this matter did take a fair amount of time to be resolved, and clearly caused Mrs R a fair amount of distress and inconvenience, I can see that Santander did contact the third-party bank that issued the draft a number of times to get the banker's draft paid. But the third-party bank was unwilling to issue a copy of the draft and insisted that a new one be issued instead. The third-party bank also appears to have not accepted the method Santander used to convey its offer of indemnity – which was needed just in case the original banker's draft be cashed in.

Putting things right

So to put matters right, Santander needs to:

- Pay Mrs R £500 compensation (if it has not done so already) for the distress and inconvenience caused to her by this matter;
- Refund Mrs R the £10 fee to process the banker's draft;
- Use the Canadian Dollar to British Pound exchange rate on 7 September 2022 to determine the likely exchange rate that would've applied to the draft, had it been paid in to Mrs R's account. If Mrs R received a worse exchange rate when the funds were actually paid to her by the third-party bank, Santander should pay Mrs R the difference; and
- Pay 8% simple annual interest* on: 1) the amount that was eventually paid to Mrs R by the third-party bank and 2) on any difference caused by changes to the exchange rate. This should be calculated between 7 September 2022 and when the third-party bank paid Mrs R the money from the lost banker's draft.

* Mrs R should be aware that this portion of the redress is usually subject to a tax deduction. If Santander considers that it's required by HM Revenue & Customs to deduct income tax from the interest, it should tell Mrs R how much it's taken off. It should also give Mrs R a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

Because of the reasons given above and in my provisional decision, I uphold this complaint and require Santander UK Plc to do what I have outlined above, to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 28 November 2023.

Thomas White
Ombudsman