

The complaint

Mr F complains that Santander UK Plc closed his bank accounts but continued to allow his current account to operate, including allowing direct debit payments to be made from it. As a result, he ran up a debt which affected his credit rating.

What happened

Mr F held a current account with Santander. In or about May 2021 he applied for a savings account. After initially accepting the application, Santander reviewed it and decided that it would not open the account. In addition, it decided that it would close Mr F's current account.

On 7 June 2021 Santander wrote to Mr F. Its letter said:

Thank you for applying for a EVERYDAY SAVER.

Unfortunately, although we initially accepted your application, after reviewing some additional information we've had to withdraw our decision to offer you this account.

This means we need to withdraw your banking facilities immediately and close all of your accounts.

What we've done

We've placed restrictions on the following accounts, which we'll be closing in 30 days:

...

This means we won't authorise any more transactions and any payments into the account will be returned to the originator.

How to withdraw any remaining funds

Please visit your local Santander branch, making sure you bring your photographic ID (for example, a passport or driving licence) and proof of account ownership (for example, a card or passbook for the account). You must also hand over any cards or chequebooks you hold for this account, as they won't be accepted any more.

...

Mr F went to a branch on 10 June 2021 and withdrew funds from the account, reducing the balance to zero. He says he was told that was the end of the matter and he did not need to do anything further.

Over the following month, however, a payment of £40 was credited to the account, and three direct debit payments were made from it. A further direct debit payment was returned. This left the account overdrawn by nearly £250.

Between December 2021 and March 2022, a further three payments were credited to the account. Mr F then paid off the balance of just over £150. In the meantime, however, the account had been defaulted and the debt passed to a collection agency, and Mr F's credit score had reduced significantly.

Mr F complained to the bank about what had happened. It wrote to him in June 2022 to say that it had acted correctly when he had not paid the amount outstanding on the account. Mr F did not accept the bank's response, and it wrote to him again in August 2022. Its letter included the following:

Investigating the full journey of the account there is no evidence that the account was closed or that you were advised that it was closed in June 2021. This means that when Direct Debits came out on the 1st of July 2021, your account was taken £245 overdrawn.

We sent numerous letters asking you to address the debt balance on the account however received no communication from you. This means that the account moved to default and was then passed out to a third party debt collection agency as is the process when a customer has a debt that isn't being addressed in any way.

Mr F then referred the matter to this service, where one of our investigators considered what had happened. She concluded however that Mr F ought to have known that debts were building up on the account and that Mr F ought therefore to have taken steps to address them.

Mr F did not accept the investigator's assessment. He said that he cancelled the direct debits and that he did not receive any correspondence about them or the account, since he had changed his address. Since the account was closed, he did not feel the need to tell the bank about the change. Mr F asked that an ombudsman review the case.

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 satisfied first of all that Santander was within its rights to close Mr F's account in the way that it did. And I note that he was able to act on the closure notice he received by attending the branch and withdrawing the money that was in the account.

Mr F's main complaint, however, is that he was led to believe that, once the account balance had been reduced to zero, that would be the end of the matter. I can understand why he thought that would be the case. Santander's letter of 7 June 2021 was very clear that no payments from the account would be authorised and that credits to the account would be returned to the sender. Neither of those statements was entirely accurate.

Between June 2021 and March 2022 four payments were made to the account, totalling £135. Whilst Santander had said, incorrectly, that they would be returned to sender, I do not believe that Mr F suffered any loss when they weren't. On the contrary, he had the benefit of them, since they reduced the amount he owed the bank.

The debt on the account was caused by the payment of three direct debits. These were regular payments for insurance, gym membership and to the DVLA. The bank says that they were not blocked because there is little risk associated with direct debits. I can understand the rationale here, but that is not what it had told Mr F. It had said that no transactions would be authorised; it did not make an exception for direct debit payments.

I note as well that, when Santander wrote to Mr F in August 2022, it said that there was no evidence that the account was closed in June 2021, or that Mr F had been told that it had been closed. I don't accept that. Mr F was not told definitively that the account *had been* closed, but I think it was reasonable for him to think from the letter of 7 June 2021 that it *would be* closed.

Be that as it may, I think Mr F would have found out fairly soon after he had withdrawn all the funds from the account that it was still operative – albeit in a very limited way. He would have known that the businesses with which he had set up direct debits had not been paid by any other method. It's likely too that they would have given notice of upcoming payments, which should have included confirmation that they would take payments by direct debit.

In addition, one direct debit payment failed, and Mr F was given notice of that. The bank says it wrote to him about the debt. Mr F says that he had changed address, but had not notified Santander of that. I do note however that the address which Mr F used when he referred his complaint to this service is the same address the bank used to tell him about the intended closure of the account and (in June and August 2022) to respond to his complaint. On balance, therefore, I think it more likely than not that Mr F did know payments were still being taken from his account and that he needed to take action.

I do believe that Santander's communication in this case could have been very much clearer than it was. But I believe too that Mr F should have known fairly soon that – whatever he might have been told when he withdrew his money – he needed to act to prevent debt building up.

My final decision

For these reasons, my final decision is that I do not uphold Mr F's complaint and I do not require Santander UK Plc to do anything further to resolve it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 13 December 2023.

Mike Ingram

Ombudsman