

## **The complaint**

A company, which I'll refer to as H, complain that Santander UK Plc (Santander) unfairly closed its accounts, and in that process, provided poor service.

In bringing this complaint, H is represented by its director, who I'll refer to as Mr R

## **What happened**

- H was a long-standing customer of Santander and since 2005 it operated a number of accounts with the bank.
- In 2022, Santander began conducting its regulatory checks in relation to H, known as a Know Your Customer (KYC) review.
- According to Santander, they first began the process on 1 September 2022 by sending correspondence to H requesting a phone call.
- On 12 September 2022, Mr R called the bank. And during a lengthy conversation, Santander asked Mr R a series of questions about H - including its turnover, payments into its accounts and how they were intended to be operated going forward. Mr R responded to most of Santander's questions and provided the information the bank needed.
- But Mr R became uncomfortable providing other items of information – in particular, more personal ones regarding his assets and wealth. He explained he didn't wish to do so over the phone because he couldn't be sure the phone call wasn't fraudulent. Nonetheless, he said that he'd be willing to provide the information at a branch nearby.
- Santander explained they'd noted his concerns but since all the information they needed hadn't been provided, in all likelihood the bank would contact him further. However, noting Mr R was willing to attend a branch to provide the information, the employee with whom he spoke promised, and before the call was completed sent an email to Mr R setting out the information he needed to provide in branch by 14 October 2022. This included H's annual accounts and certificate of registration.
- According to Mr R, he attended the bank branch soon after the phone call and provided all the information and documentation required by Santander.
- On 11 and 13 January 2023, Santander and Mr R had further telephone conversations about outstanding information that the bank needed to complete its KYC review.

- According to Santander, they didn't receive all the information they needed from H. So, on 27 February 2023, the bank wrote to H giving notice they intended closing its accounts in two months' time - on 24 April 2023.
- On 3 May, following a phone conversation with Santander, Mr R drew a cheque on H's business current account for £1000,000. But on presentation the cheque was dishonoured on suspicion of fraud.
- Ultimately, all of H's accounts were closed and although Mr H was assured the relevant balances would be sent to him by cheque, when it didn't arrive as anticipated on making enquiries of Santander, the bank told him to contact the Treasury Solicitors where the funds were likely held.
- H has now successfully opened accounts with another bank. But Mr R said he felt let down by Santander and complained about how H had been treated. In particular, he didn't agree with Santander's position that he'd failed to provide all the information the bank had asked for. So, he didn't think it was fair that Santander should have closed H's accounts.
- Mr R acknowledged Santander did give him two months' notice of their intention to close the accounts. Nonetheless, he said it was time consuming and inconvenient for H's clients. He believed Santander should therefore pay compensation for his time and the disruption caused to H by the closure of its accounts.

In relation to the substance of H's complaint, Santander didn't think they'd done anything wrong. They disagreed with Mr R that he'd provided all the information they'd asked for in their KYC review and maintained that was the reason for closing H's accounts.

In any case Santander said they were entitled under the terms and conditions of the accounts to close them. But they apologised for telling Mr R that H's funds were with the Treasury Solicitors.

H wasn't satisfied with Santander's response and on its behalf, Mr R referred the complaint to this service.

Our investigator looked into it. Regarding the substance of the complaint, she noted that the terms and conditions of H's accounts under the section headed "Cancellation and closing your account" stated the following:

'You or we may close your account at any time by giving the other notice without giving any reason'.

On that basis she agreed Santander had the right to close H's accounts subject to appropriate notice being given which the bank gave. And she agreed also that the bank didn't have to say why.

The investigator also came to the following conclusions – which I summarise:

- She was satisfied Mr R didn't provide all the information the bank required to complete the KYC review as Mr R's tax return was outstanding. The bank didn't act unfairly therefore when it closed H's accounts by giving two months' notice.

- She didn't think the bank was at fault in relation to the decline of the cheque Mr R had drawn on H's business current accounts. She noted the bank's employee told Mr R that although the account he asked about was not restricted there was no guarantee that the account wouldn't be closed at some point that day. The fact Mr R went ahead and drew a cheque was not something for which she could fairly criticise Santander.
- But she did think Santander were at fault in relation to the advice they gave to Mr R to contact the "Treasury Solicitor" about H's funds. In particular because not only had the name of that department changed to the Government Legal department, but the closure procedure also involved a cheque for the closing balance being sent to H rather than elsewhere. And whilst she acknowledged Santander had already apologised for the misinformation, she felt they should do more. She therefore recommended the bank should also pay Mr R £75 in compensation for the error.

Santander accepted the investigator's recommendation. But Mr R didn't and has asked for an ombudsman to review H's complaint – saying in summary that:

- Santander did not inform him clearly what was outstanding for them to complete the KYC review. He was not aware that his tax return was outstanding. Had he known this, he would have provided it. He was under the impression everything had been supplied to the bank.
- In any case it is unjust for any banking institution to hide behind unfair terms and conditions which could have catastrophic results for businesses

### **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.

Where the evidence is incomplete or inconclusive (as indeed some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

But after considering this case, I agree with the investigator's conclusions and for broadly the same reasons and I'll explain why.

I start by saying that since they are strictly regulated, banks in the United Kingdom are required to carry out certain actions in order to meet their legal and regulatory obligation. That involves conducting ongoing checks and monitoring of new as well as long existing relationships with customers. Santander chose to do this by way of the KYC review and to that extent, I do not think they did anything wrong when they decided to conduct this review into H's operations and accounts.

### ***Closure of H's accounts***

Santander gave H notice of the closure of its accounts and the timing of that closure, which was to occur two months from the notice. As noted in the terms and conditions mentioned above, the bank is not obliged to give its reasons.

But Mr R now knows the reasons - at least more fully. Santander have explained that he'd omitted to provide all the information he'd been asked to provide. More specifically his HMRC self-assessment tax return.

Mr H hasn't now contested the bank's claim. Rather his submission, essentially, is Santander didn't inform him clearly the information that hadn't been provided.

But I've listened to the conversations Mr R had with Santander on 11 and 13 January 2023 and I'm afraid I disagree.

On 11 January for example, after noting restrictions had been placed on H's accounts Mr R called the bank and he was told the reason for the restrictions.

The employee explained that since the conversation which Mr R had with the bank in September 2022, it hadn't received anything from him. Mr R explained he had presented the documents in branch. But the employee assured him they hadn't been received.

I note the employee gave Mr R the email address to send the documents to – these being the same documents requested back in September 2022. She had a further discussion with Mr R regarding his reluctance in September to provide information regarding his personal assets. She explained this was a mandatory requirement and Mr R needed to also provide his HMRC income tax return.

Unfortunately, the call didn't go well afterwards, as Mr R was unhappy about what he perceived was the overly detailed and intrusive nature of the bank's enquiries. He told the employee that he didn't think the bank was entitled to have such detailed information to fulfil its regulatory obligations. Moreover, he told the employee he would only be prepared to provide H's company accounts, proof of trading address and his tax return.

Mr R called the bank again on 13 September after Santander had unsuccessfully attempted to speak to him. During the call, Santander's employee explained to Mr R that he needed to provide outstanding information to complete the KYC review.

Here also the bank explained the information Mr R needed to provide – including: annual accounts, proof of trading address, and HMRC income tax return. The employee agreed to set this all out in a fresh e-mail to Mr R which she did. Indeed, she waited so that Mr R could check that her email was received. He confirmed that it was and promised he'd get the information to Santander as soon as he could.

On the basis of this evidence, I'm unable to conclude Santander didn't make clear the information they needed from Mr R. Therefore, when it was not received, I do not think the bank unreasonably gave notice to close H's accounts.

#### *The decline of the cheque drawn by Mr R*

I've examined the bank's internal record of the conversation with Mr R on 3 May. It confirms Mr R asked about the position regarding H's business current account which, although scheduled for closure hadn't yet been closed.

According to the note that the bank made, Mr R asked if he were to draw a cheque on the account that day, whether it would be cleared. The note records that Mr R was told that as the account wasn't restricted and remained opened transactions were still possible. But the note indicates that Mr R was warned that the bank could not guarantee the account would not be closed at some point during the day. I have no reason to doubt the accuracy of this record.

The cheque was dishonoured because by the time it was presented H's account was closed. In the circumstances I don't think I can fairly blame the bank for what occurred.

*Advice to contact the Treasury Solicitor*

Santander acknowledge they gave wrong advice to Mr R when they told him to contact the Treasury Solicitors regarding H's funds - an institution that as described no longer existed. But as I would have expected, Santander rightly apologised for their error. However, I also think Santander should do more.

**Putting things right**

Taking everything into account, for the reasons given by the investigator, I also recommend Santander UK Plc should pay Mr R £75 for the error.

**My final decision**

My final decision is I partially uphold this complaint. In full and final settlement, I recommend Santander UK Plc pay Mr R £75.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 25 April 2024.

Asher Gordon  
**Ombudsman**