

The complaint

Mr A complains Santander UK Plc (“Santander”) closed his account and withheld money he’d borrowed from a family friend to buy a car. Mr A is also unhappy Santander withheld the funds for an unreasonable amount of time before returning them to source.

Mr A says this matter has caused him significant financial loss, distress and inconvenience.

What happened

On 28 January 2023, Mr A received the sum of £6,500 into his account by way of bank transfer. This prompted Santander to review Mr A’s account, and he was called shortly after by one of its staff members to discuss his account activity.

Based on Mr A’s answers, Santander informed Mr A it had decided to block his account. And he would need to send the last three months bank statements for the family friend’s account who had sent him the funds.

On 1 February 2023, Santander sent Mr A a letter in which it notified him that following a review, it had decided to close his account with immediate effect. Mr A was prompted to contact Santander to discuss the release of the funds in his account. But the £6,500 was moved into one of Santander’s suspense accounts and didn’t form part of the funds that were earmarked for release.

Unhappy with Santander’s actions, Mr A complained. Santander did not uphold Mr A’s complaint. In summary, it made the following key points in its responses:

- Santander has legal and regulatory obligations to follow which can require it to withhold transactions and block accounts. And it’s not always possible to give reasons why
- Mr A received a credit of £6,500.00 which he confirmed was a loan from a friend to purchase a car. Mr A initially informed us he couldn’t get any proof of entitlement but later emailed Santander with some documents
- Santander has decided to close Mr A’s account in line with its policies and procedures
- Santander is obliged to withhold transactions on Mr A’s account – and doesn’t need to explain why

Mr A referred his complaint to this service.

Mr A says that Santander withholding the funds caused a lot of strain on his relationship with the family friend, and so he gradually withdrew funds from his business and paid him back in cash. As a result this has caused him severe financial difficulty and he wasn’t able to visit his family when a natural crisis occurred in the country that they live in.

Mr A has called Santander substantively and visited its branch to get an update on the funds

from when they were withheld. Mr A says he got little information from Santander and the customer service was poor. Mr A says he visited the branch over a hundred times. He's also said that Santander treated him unfairly by calling the Police to intervene when he was in branch. This matter is being dealt with separately at this service – and so will not form part of the merits of this decision.

In June 2023, Santander sent the funds to the sender's account, and Mr A says he has received his money back from them now.

One of our Investigator's looked into Mr A's complaint, and they recommended it be upheld. In summary, the key findings they made were:

- Though Santander is entitled to restrict accounts, it should have returned the funds much sooner and without delay
- Santander had called Mr A to ask about the £6,500 just as he had woken up, and his explanation for not being sure what car he would be purchasing was reasonable
- Santander should have closed the account with much more notice than it did
- The evidence shows Santander provided poor customer service
- Santander should pay Mr A £500 compensation because for the inconvenience he was caused, the embarrassment and friction its actions caused between him and his friend, and for its poor customer service. Santander should also pay 8% simple interest on the funds that were held

Mr A didn't agree with what our Investigator said. He says the matter has caused him substantive distress and inconvenience, and he's made between 200 to 300 calls and sent over 150 emails to Santander. He adds that he's had to seek independent legal advice. Mr A says this also limited his ability to grow his business and meet financial commitments for it.

Mr A says Santander's actions have led him to depression and an adverse impact on his physical wellbeing. So he should be paid much more compensation.

Santander also didn't agree with what our Investigator said. Santander say it wasn't responsible for the delay in the funds being returned to Mr A's friend's account, but it was the fault of the corresponding bank. Nor had it done anything improper when restricting and closing Mr A's account.

Our Investigator then looked into the complaint further. As a result, they sent both parties their revised findings on the complaint based on further information they'd received. In summary, they said:

- Santander's restrictions and closure of Mr A's account was done fairly and in line with the terms of the account
- The delays in the funds being returned were due to the sending bank. Santander were actively requesting further information from the sending bank. So Santander is not at fault for any delays with the funds being returned to source
- They appreciated that what happened caused embarrassment and friction between Mr A and his friend, but that was a by-product of the account block. And as Santander acted correctly when restricting the account, they no longer recommend it pays compensation for this

- But having listened to the calls and other evidence available of interactions between Mr A and Santander, the service it provided could have been better. So Santander should pay Mr A £100 compensation for this

Mr A didn't agree with this, reiterating the severe poor level of customer service he received and singled out several specific interactions. This included a call in which he was told the agent will be leaving a note on the computer that if Mr A attends a branch, they should call the Police.

As there is no agreement, this complaint has now 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 to uphold this complaint in part. I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr A and Santander have said before reaching my decision.

Account restriction and closure

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.

Santander has explained and provided me information, which includes the call it made to Mr A in January 2023 to discuss the £6,500 payment. Having carefully considered this, I'm satisfied Santander acted in line with its obligations when reviewing and then restricting Mr A's account.

I'm also satisfied that it didn't do anything wrong in withholding the £6,500 and asking Mr A for more information about it as part of its review.

Santander is entitled to close an account just as a customer may close an account with it. 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 A 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.

Having looked at the information given to me by Santander, I'm satisfied it was entitled to close the account in the way that it has done. In reaching this finding, I've weighed up that Mr A's friend was unwilling to give all the information Santander wanted to protect their own

financial security. But based on what Mr A said in the call to Santander when asked about the payment, and the information I've been sent about the review and resulting investigation, I'm persuaded an immediate closure was in line with the terms of the account.

I know Mr A would like a more detailed explanation of why Santander took the actions it did. But Santander is under no obligation to do so. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Santander has provided is information we consider should be kept confidential.

Mr A has questioned Santander's decision to return the funds to the source account. I'm satisfied that based on the concerns it had, and the information it had, this was done fairly.

This brings me onto the whether I think Santander has caused avoidable delay in returning the £6,500 back to the source account. Santander has given me information which shows it was pursuing the sending bank to indemnify it so that the funds could be returned. And it's shown that it was doing this at regular intervals. I've also seen information from the sending bank.

Having weighed this all up, I'm satisfied that the return of funds taking a little over five months to be processed wasn't Santander's fault. I'd also add that at the point Santander decided to send the funds back to source, they didn't no longer represent a loss to Mr A.

This means I don't award any compensation for the loss of access to the funds, nor for any distress and inconvenience Mr A suffered due to the restriction, withholding of funds and closure of the account. I'd like to assure Mr A that in reaching this finding I haven't in any way undervalued the impact he says Santander's actions have had on him. But for me to award compensation, I must find that Santander did something wrong – and for the reasons above, I don't think it has.

Customer Service

Having listened to over 20 calls Santander has sent me, I'm persuaded, that on occasion, the calls could have been better handled. I can also understand the strength of Mr A's feelings, and frustrations.

Mr A has spoken about one specific call relating to being warned that if he goes into branch, they will be instructed to call the Police. Mr A is aware that a complaint about Police intervention in one of Santander's branches is being dealt with separately. Because of that, I won't make a finding on this call as it speaks to the underlying activity which that complaint deals with.

But for the poor customer service Mr A did receive, which ranges from poor communication to agents demonstrating their frustration with him, I think £100 is fair compensation for the distress and inconvenience this caused.

My final decision

For the reasons above, I've decided to uphold this complaint in part. Santander UK Plc must now pay Mr A £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 26 February 2024.

Ketan Nagla
Ombudsman