

The complaint

A company I'll call H complains that Santander UK PLC (Santander) blocked and closed its account, without explaining why.

H is represented by one of its directors, Mr H.

What happened

On 10 February 2022, Santander wrote to H with questions as part of a Know Your Customer review. It gave H 10 working days to respond and said it would block and close H's account if it didn't receive the required information in time. H replied on 13 February 2022.

On 15 March 2022, Santander blocked H's account while it carried out a review. The block prevented any credits entering the account and any debits leaving the account. Santander completed its review on 25 March 2022 and decided it didn't want to retain H as a customer. It changed the block to allow debits but not credits, then issued a letter on 31 March 2022 giving H 60 days' notice of its intention to close H's account. Mr H also told our service that Santander made an error during the account switch process that caused a payment to HMRC to bounce.

Santander also closed a personal account in the name of one of H's directors, and I will address that complaint under separate cover.

H complained, but Santander didn't uphold the complaint. It confirmed the block had been amended to block credits only and offered compensation to Mr H in respect of the personal account. But it didn't offer any compensation to H.

Mr H wasn't satisfied with Santander's response, so he brought his complaint to our service. He said Santander had got things wrong and that individuals within the bank were covering up the mistakes. He wanted Santander to acknowledge its mistakes and pay compensation.

Our investigator explained that Santander was complying with its legal and regulatory obligations when it blocked H's account, and that it was entitled to do so. But she wasn't satisfied with the evidence Santander had provided to justify its decision to close H's account.

She asked H to provide evidence of any losses it had suffered between 25 March 2022 and the date the account was closed. Mr H said H had lost £50,000 in revenue and incurred £6,161.39 in various other fees and charges. But he didn't provide any evidence to support his claim, so our investigator awarded H £300 to compensate it for the inconvenience it had experienced.

Mr H didn't accept our investigator's findings, so he asked for an Ombudsman to review the matter afresh. He repeated H's claimed losses but didn't seek to provide any evidence in support.

I issued a provisional decision on 31 January 2024. In it, I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Firstly, I should say that I’m aware I’ve summarised the events of this complaint in far less detail than the parties, and that I’ve done so using my own words. The reason for this is that I’ve focussed on what I think are the key issues here, which our rules allow me to do. This approach simply reflects the informal nature of our service as a free alternative to the courts. And 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 in this case. So, if there’s something I’ve not mentioned, it isn’t because I’ve ignored it, and I must stress that I’ve considered everything both Mr H and Santander have said, before reaching my decision.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers’ accounts while they carry out a review.

And, having looked at the evidence, I’m satisfied Santander acted in line with its legal and regulatory obligations when it blocked H’s account. And that it was entitled to do so under the account terms and conditions that governed the relationship between Santander and H.

Mr H says Santander made mistakes and tried to cover them up, but I haven’t seen any evidence to suggest that is the case. Santander has explained its rationale to our service and that rationale ties in with what we often see in similar cases to this, so I’m satisfied Santander’s actions were legitimate and not born out of a mistake. I appreciate it will be frustrating for Mr H that Santander hasn’t disclosed its reasons to him, but Santander is under no obligation to do so, so I can’t reasonably compel it to disclose its reasons to H if it doesn’t wish to do so.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer’s account. The terms and conditions of H’s account – with which both Santander and H had to comply – say that Santander could close the account by giving 2 months’ notice.

Santander has explained the reasons it closed the account, and I’m satisfied that those reasons give rise to a right to close the account with 2 months’ notice on the face of it. However, our investigator sought evidence in support of Santander’s decision, which Santander didn’t wish to provide because it said the information related to its policies and was commercially sensitive.

This service has the power to request evidence of this nature under the dispute resolution rules (DISP) and I’m not persuaded the reasons given by Santander exclude it from complying with these rules. So, in this particular case, because of the lack of information, I can’t be satisfied Santander treated H fairly in regard to the manner in which it closed H’s account. And while Santander did give 2 months’ notice, the account was blocked to incoming payments, so in effect H wasn’t able to use its account and so it didn’t receive a 2-month notice period.

As to the error during the switch process, our investigator asked Mr H to explain the impact the bounced payment had on H. Mr H said the missed payment resulted in charges being

incurred and H being placed into a precarious position with HMRC. But he didn't provide any further details, or submit any evidence of the charges incurred. And so, if Mr H would like me to consider making an additional award in this regard, I would encourage him to submit evidence in response to these provisional findings. Similarly, if Santander objects to this point, it should reply with evidence demonstrating it wasn't at fault.

Taking all of the above into account, like the investigator, I agree that Santander should pay H compensation for the inconvenience it caused H. While H claimed it had suffered a loss of £56,161.39, Mr H didn't provide any evidence to support that loss when asked to do so. And I can't fairly award over £50,000 in compensation without evidence to demonstrate that that loss was incurred, that it was incurred as a result of Santander's failings as set out above, and that H took reasonable steps to mitigate its loss.

Further, while I understand Mr H is upset at the treatment he has experienced, he is not Santander's customer: H is. H is a limited company so it cannot feel distress, so I can only award compensation for inconvenience the limited company experienced. With that in mind, I've assessed the compensation at £300 in this regard, which I think fairly reflects the trouble H went to as a result of Santander's failings."

I invited the parties to make any further submissions they wanted me to consider, or provide any further evidence in support of their claims. However, neither party responded before the deadline.

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.

Because neither Santander, nor Mr H responded to my provisional findings, I see no reason to change them. So, it follows that Santander must pay H £300.

My final decision

My final decision is that Santander UK PLC must pay H £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 14 March 2024.

Alex Brooke-Smith
Ombudsman