

## **The complaint**

A, a limited company complains that Santander UK Plc closed its account without good reason and did not give it notice.

A's complaint has been brought to our service by its directors, Mr and Mrs V.

## **What happened**

Mr and Mrs V's company, A, had a business account with Santander. In November 2020 Santander reviewed A's account as part of its Know your Customer (KYC) process.

Following its review, in April 2021 Santander asked Mr V to provide information regarding A. Santander gave Mr V 14 days to provide the information. And it warned Mr V that if he didn't provide the information, the bank would block A's account. In response Mr V provided information, however the information didn't upload to the bank's system's so Santander wasn't aware Mr V had sent any information to the bank. As a result, on 20 May 2021 Santander blocked A's account.

On 21 May 2021 Santander reviewed the information Mr V had provided and deemed it insufficient. So, Santander asked Mr V for more information. Mr V supplied the bank with more information on 26 May 2021. Whilst it reviewed the information Santander removed the block from A's account. Santander also apologised for missing the information Mr V initially provided and paid him £200 compensation for the inconvenience this had caused.

Following this, after reviewing the further information Mr V had provided in May 2021, Santander decided to close Mr Vs account without notice. And sent Mr and Mrs V a cheque for the closing balance of A's account.

Mr V complained to Santander about the closure of A's account. He said that the closure of A's account had severely impacted A's turnover and that he hadn't been able to open another business account due to an incorrect debt marker being recorded against A. This meant he wasn't able to deposit the cheque Santander had sent for A's closing balance so Mr V couldn't buy supplies for the company. He also said he missed out on a number of orders. In response, Santander said it hadn't done anything wrong and had closed A's account in line with the terms of the account and relevant regulations.

Unhappy with the banks' response, Mr V brought A's complaint to our service where one of our investigators considered it. The investigator asked Santander some more questions about what had happened and why it had closed A's account without notice. Based on the information provided, the investigator didn't think Santander had treated A fairly when it closed its account without notice. And that it should have provided A with more notice so that it could arrange a new business account. To put things right she said Santander should pay Mr and Mrs V £200 compensation for the inconvenience this had caused.

Santander disagreed with the investigator's recommendations. It said it hadn't done anything wrong when it closed A's account. And had done so because despite being give

opportunities to do so Mr V hadn't provided sufficient information it had requested concerning A's nature of business. In particular, it said Mr V hadn't provided six months' worth of bank statements from an overseas bank and another bank; details of contracts and purchase orders A had with overseas companies. Santander also said that the information Mr V had provided wasn't sufficient for it to be able to satisfy its KYC process.

Mr V also disagreed with the investigator's view. He said that the amount of compensation offered doesn't adequately reflect the financial loss and inconvenience A suffered. He says A's turnover nosedived from around £30,000 to £50,000 each month to virtually nothing. He also explained that he couldn't buy supplies due to being unable to open another business account and missed out on contracts. So, he wants more compensation.

As no agreement could be reached the matter has come to me to review.

After looking at all the information I came to a different conclusion to the investigator, and I issued a provisional decision in which I said the following:

*I'll start by setting out some context for Santander's review of A's account. Santander has extensive legal and regulatory responsibilities they must meet when providing account services to customers. Banks in the UK are also required by law to comply with know your customer (KYC) requirements. In order to fulfil these obligations, they may need to review activity taking place on accounts and ask customers for information to establish the purpose and nature of a business as well as the origin of funds – it's entitled and obliged to carry out such checks. This applies to both new and existing customers regardless of how many years a customer may have banked with Santander. The terms of A's account also permit Santander to review an account and ask for information.*

*The information Santander is asking Mr V to provide is fairly standard information that banks, and other financial businesses are required to have in order to adhere to the Know Your Customer (KYC) responsibilities (also known as Customer Due Diligence or CDD), as set out by the regulator - the Financial Conduct Authority. So, in the circumstances, given that Santander needs the information to comply with its regulatory obligations, I don't think Santander's request for Mr V to provide up-to-date information about A, him and the nature of A's business is unfair or unreasonable.*

*I understand that Mr V questions why Santander is asking for this information now, when he has been a customer of the bank for a number of years. But, as Santander explained, the KYC responsibilities place an on-going obligation on banks and other financial businesses to ensure they have up-to-date information about their customers. As such, it is not unusual for a financial business to ask for such information periodically, even if the account holder has been a customer for some time. And this is the case especially if the information being asked for was not recorded (for whatever reason) at the time an account was opened.*

*I can see that Santander initially asked Mr V for information in November 2020 and that Mr V did provide the bank with the information requested. On 29 April 2021 Santander contacted Mr V again and asked him to provide specific documents – overseas bank account statements, contracts, purchase orders and packing lists from overseas clients. Santander told Mr V he had 14 days to provide the information and that if he failed to do so A's account would be restricted.*

*It seems that Mr V provided some information to Santander on 29 April 2021, but this was uploaded onto a different system. So, the information was missed. And it wasn't until Mr V complained and pointed this out to Santander that the information was found and reviewed. Santander apologised for this mistake and paid Mr V £200 compensation which he accepted. I*

*think this is a reasonable way to resolve this aspect of Mr V's complaint, so I won't be asking Santander to do anything more.*

*Santander say that although Mr V provided some information, it still wanted him to provide more information. Mr V sent Santander more information in May 2021, but the bank said it didn't sufficiently address the questions it had asked Mr V about the nature of his business. And Mr V hadn't supplied the documents it had specifically requested. As I've said above Santander are obliged under regulation to carry out ongoing KYC checks to protect accounts from identify theft, fraud, and financial crime. So, if they don't receive the necessary information that they request to allay those risks, I do not consider closing the account is a disproportionate measure for Santander to take.*

*Santander's terms and conditions also state they are entitled to close an account without notice. Having looked at all the information available to me, including Santander's actions and the information it's provided I'm satisfied that Santander had sufficient grounds to close A's account immediately and did so in line with the terms and conditions. So, I can't say Santander has treated A unfairly.*

*I know Mr V is seeking compensation to cover financial losses he says A incurred as a result of Santander closing A's account. But it wouldn't be appropriate for me to award any compensation since I don't find Santander acted inappropriately. So, I'm not going to direct Santander to do anything further to resolve A's complaint.*

Mr and Mrs V didn't agree with my provisional decision and provided more information. In summary they said:

- Santander acted unfairly by closing their account without notice.
- Santander did not close A's account because of Mr and Mrs V's failure to supply information as they supplied everything that they could, and Santander agreed they were satisfied with it.
- By Santander's own admissions, the team (or teams) requesting information from A were not sufficiently briefed as to what information was needed about the company resulting in poor communication to A as customers and confusion.
- An internal systems error on Santander's side created a set of events that was exacerbated by the previous point.
- There was never a time when A did not comply with information requests, and they understood the reason why Santander wanted the information. The process however was frustrating.
- Most notably - Santander are unwilling to disclose why they closed A's account – even internally. Mr and Mrs V therefore still have no idea why they wanted to close A's account.
- They understand that under the bank's terms and conditions they don't have to give a reason for closing a customer's account without notice, but if they had an issue with A's account this would have been appreciated, given A had been a customer of over 10 years.
- They don't dispute Santander's right to close accounts without notice but it is a very unfair practice unless the bank is concerned about fraud or money laundering, which they know (based on emails obtained via a DSAR) was not the case.
- The impact of having A's account closed immediately was immense. A's profits plummeted from £50,000 each month to nothing. A also struggled to open another

business account due to having an incorrect debt marker being applied by another business, so was unable to pay in the cheque Santander sent for A's closing balance and lost out on business.

I forwarded Mr and Mrs V's comments to Santander. In response, Santander said it had requested Mr and Mrs V to provide it with information on more than one occasion. Santander confirmed that it had received a copy of a purchase order it had requested from Mr V and an explanation from him about how A operates which stated the following:

- A doesn't have contracts with Kenyan companies in the way we do in the UK.
- Mr V provides the Kenyan companies a price list with a margin added, which then leads to them placing an order with A via an excel spreadsheet. Mr V then orders the goods from his supplier and arranges shipment via a third party.
- The agreement Mr V has with Kenyan companies was verbally agreed or maybe in an email communication way back.
- Any money received from A's overseas account is sent via an intermediary bank, and A doesn't have an account with the intermediary bank itself.
- Mr V purchases goods on a weekly basis from his supplier by using spreadsheets with product codes via email.
- He can't provide a packing list from his Kenyan clients – he is the one that sends the invoice to his clients (which is essentially the packing list). Mr V's invoice will correspond perhaps 80 or 90% with their order (dependent on stock availability). Beyond this there are no other lists.

Santander said it had reviewed everything Mr V had provided in response to its request and maintained that it wasn't sufficient to satisfy its KYC process and regulatory obligations. So, it made the decision to close A's account and said it had done so in accordance with the terms and conditions of the account.

Now that both sides have had an opportunity to provide further information I can go ahead and issue my final decision.

### **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.

Firstly, I'd like to apologise for the time it has taken to issue this decision. I thank Mr and Mrs V for their patience and for their submissions in response to my provisional decision.

Santander has accepted it could have handled its requests for information from Mr and Mrs V better. It has agreed that it should have been clearer with Mr and Mrs V from the start of the KYC process about what information it wanted to them to provide. I accept as well, following Mrs V responses to my provisional decision, that it was only when Mr and Mrs V raised a complaint that Santander identified that it had missed the information Mr and Mrs V had provided to the bank. Santander has paid A £200 compensation for the inconvenience this caused A, which Mr and Mrs V accepted to resolve this aspect of their complaint. So, I don't need to make any further comments regarding this.

In response to the provisional decision, Mrs V has highlighted a number of concerns, which I'll now address below.

Mrs V has submitted that she and Mr V provided all the information Santander requested. So, she says it's unfair for Santander to close their account immediately due to a failure of

them to provide information – especially as A was a long standing customer of the bank and it appears based on an internal screen shot dated 21 May 2021 obtained via a DSAR that the bank didn't have any fraud or money laundering concerns.

Having looked at everything afresh including all the information submitted by Mrs V – it does appear that Mr V provided the information Santander requested, which included an explanation about how A operates its business and transacts with its overseas partners. This explanation also provided details about why A wasn't able to provide particular paperwork that Santander requested such as contracts. However, from looking at the email Mrs V has pointed to dated 27 May 2021, Santander said whilst it was happy to remove the block from A's account, and the bank could advise Mr and Mrs V that it didn't need anything more from them '*at the moment*', based on information that had been provided, it was *still* reviewing everything that had been provided. This suggests to me that Santander was still deciding whether or not it was happy to continue providing banking services to A and if it did would it be able to meet its legal and regulatory obligations.

I accept I may not have made it clear in my provisional decision, but it was following completion of its review of everything that Mr and Mrs V *had* provided that Santander decided to close A's account.

As the investigator has already explained, Santander has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customer, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other financial harm. I should also add that Santander is not required to prove beyond reasonable doubt that Mr and Mrs V guilty of a fraud of financial crime before it decided to block A's account and carry out a review.

Santander will review accounts to comply with their regulatory responsibilities. That may lead to Santander asking a customer for more information about how an account is being operated, and the individuals involved. Sometimes, following a review, banks can decide to close accounts.

Having reconsidered the basis for Santander's review, I remain of the view that this was legitimate and in line with its legal and regulatory obligations, which is something Mr and Mrs V also seem to accept. So, I'm satisfied Santander acted fairly and reasonably when it completed its review of A's account.

I've next gone on to consider whether Santander acted fairly when it closed A's account. The terms and conditions of A's account set out that Santander can close the account by providing two months' notice. And in certain circumstances immediately. In this case Santander closed the account immediately. Mr and Mrs V have said that the amount of notice was inadequate, and they have pointed out that this was a business account. So, they needed more time to make alternative banking arrangements. And they have said that the inconvenience of not having a functioning an account to run their business had a severe impact on their ability to run their business and earn revenue.

I've considered Santander's reasons for closing the account. In doing so, I appreciate that Santander is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Santander should have in place. Nor is it in my remit to say what Santander should deem sufficient to satisfy their KYC processes. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. As long as Santander reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to

provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Santander has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr and Mrs V due to its commercial sensitivity. But I've seen nothing to suggest Santander's decision around closing A's account was unfair. On balance when considering Santander's wider regulatory responsibilities and all the information available to me, I find Santander had a legitimate basis for closing A's account without notice and not tell Mr and Mrs V why. So, I don't find Santander treated A unfairly when it closed its account. And I won't be asking Santander to reopen A's account. As I'm satisfied that Santander haven't acted inappropriately, it wouldn't be appropriate for me to award A any compensation.

I understand of course why Mr and Mrs V want Santander to explain the reason it closed A's account. It can't be pleasant being told you are no longer wanted as a customer. I appreciate that Santander's decision caused A, a great deal of inconvenience. But Santander is under no obligation to tell Mr and Mrs V the reasons it no longer wants A as a customer as much as Mr and Mrs V would like to know. So, I can't say it's done anything wrong by not giving them this information. And it wouldn't be appropriate for me to require it do so.

That's because Santander is entitled to close an account with A just as Mr and Mrs V is entitled to close A's account with Santander. It's generally for banks and financial businesses to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank of financial business must keep a customer or require it to compensate a customer who has had their account closed. As I've said above, each financial institution has its own criteria and risk assessment for deciding whether to close accounts.

Mr and Mrs V have explained that they had a good deal of trouble opening another business account for A, after Santander closed their account. But I can't comment on the actions or decisions of another bank. And I've not seen any evidence that the problems they encountered in relation to opening another bank account had anything to do with Santander's decision to close A's account, for example I've not seen any evidence that Santander recorded any adverse markers against A, Mrs V or Mr V. Based on what Mr and Mrs V have told this service it appears the problems they encountered were as a result of an incorrect debt marker recorded by another company, which I'm pleased to hear appear to have now been sorted out.

In summary, it's clearly caused A inconvenience when Santander closed its account without notice. So, I realise Mr and Mrs V will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't say Santander treated A unfairly when it reviewed and closed its account. So, I won't be asking Santander to do anything more to resolve A's complaint.

### **My final decision**

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 23 April 2024.

Sharon Kerrison  
**Ombudsman**