

The complaint

Mr S complains that Santander UK Plc ('Santander') blocked and closed his accounts without notice and refused to give him access to his funds. He wants his funds back and to be compensated for the stress and inconvenience he was caused as well as the investment opportunities he missed out on.

What happened

Mr S had a number of accounts with Santander for a few years, including current and savings accounts. He also held joint accounts with his partner but this decision is only about his sole accounts.

Mr S said that on 7 October 2023 one of his cards was declined so he called Santander. He was told that it had decided to close his accounts but wouldn't give him any further details. He was also told he could access his funds in branch but when he visited three different branches on three separate occasions, they refused to give him his funds.

Mr S complained to Santander and said this was causing him a lot of stress and he couldn't afford food or to pay his bills. He said his close relationships were also impacted.

Santander responded to Mr S's complaint in November 2023 and apologised and said he should have been allowed access to his funds. It said that on 8 October 2023 it had decided to withdraw banking facilities and said this was in line with its terms and conditions.

Mr S brought his complaint to us in January 2024. Santander told us that some accounts were closed in October 2023 and Mr S was also removed from a joint account at the same time. The rest of the accounts were closed in January 2024 after Santander gave Mr S 60 days' notice in November 2023. During the notice period and while the accounts were blocked all payments were stopped apart from direct debits.

One of our investigators reviewed the complaint and thought it should be upheld. She thought Santander should release all Mr S's funds immediately and also pay 8% simple interest on the balance of his current account from 4 October 2023 until the funds are returned. She also thought it should pay 8% interest on the balance of the savings account from 15 January 2024 to the date the funds are returned. She added that Santander should pay £300 for the distress and inconvenience it caused Mr S. Our investigator also thought that the account review conducted by Santander wasn't done in a timely manner and also that Mr S should have had full access to his accounts during the notice period. She added that she didn't think the accounts were closed fairly.

Santander agreed with most of our investigator's view but instead of £300 compensation it offered to pay £150. Santander didn't think that the 60 days' notice it gave was more akin to an immediate closure as it said that Mr S's direct debits continued to be paid and also he could have attended a branch to collect his funds. It said the restrictions it applied to the accounts were in line with its legal and regulatory obligations.

Mr S also didn't agree fully with our investigator's view. He said that he missed out on an investment opportunity and that this caused him a loss of £770.64. Our investigator didn't think Santander was responsible for this loss as it didn't directly flow from its actions and because it was also hypothetical. Mr S didn't agree and asked for an ombudsman's decision. He said the payment for the investment was made prior to the closure of his accounts but because it was due to be paid later it didn't go through as planned.

The matter was then 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.

The decision to review the accounts

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 customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

Santander will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result.

Having reviewed all the evidence, including the information Santander provided in response to the investigator's view, I'm satisfied that Santander was acting in line with its legal and regulatory obligations when it restricted Mr S's accounts.

I've also considered the basis for Santander's review, which I find was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied Santander acted fairly by initially blocking Mr S's accounts.

Santander has provided some further details of its decision-making process which, unfortunately, I can't share due to its commercial sensitivity. But I've seen nothing to suggest that its decision around reviewing and blocking Mr S's accounts was unfair.

I should also add that I don't think Santander is under any obligation to disclose to its customers what triggers a review of their accounts. For this reason, I can't say that it's done anything wrong by not giving Mr S this information. And it wouldn't be appropriate for me to require it to do so.

Delays

Santander said it blocked the accounts on 4 October 2023 and made its decision to withdraw banking facilities on 8 October 2023, something Mr S was made aware of at the time. But it didn't provide Mr S with its 60 days' notice of closure until 14 November 2023. So, from what I can see though it says it completed its review within a few days and closed some of Mr S's accounts including a newly opened savings account at that time, it didn't issue a notice of closure in respect of the rest of the accounts until over a month later. I can't see that Santander explained why there was such a long delay between the two decisions. So, I don't think it treated Mr S fairly and reasonably in the way it managed the closures. I think it should pay Mr S compensation for this.

Was notice given?

In our investigator's view the fact that Mr S had no access to his accounts during the notice period meant that this was more similar to an immediate closure rather than one where notice was given. Santander disagreed and said that its terms and conditions allow it to place restrictions during the notice period and also that Mr S had access to his funds over the notice period so the closure wasn't immediate.

I agree with our investigator and I think, in these particular circumstances, the closure was more akin to an immediate closure rather than one where notice was given. All of the accounts were blocked from 4 October 2023 and, as I said above, some were closed in October 2023 and others not till January 2024. But, in my view, they were all closed without notice because Mr S couldn't use them. I note Santander said that direct debits were still paid but in its letters to Mr S it also said that any payments made into the accounts after 8 October 2023 would require further information before they could be released. I also note that Mr S tried to obtain his funds by attending a Santander branch but his request was refused. So I don't think Mr S had access to his funds during the notice period, even if this was not Santander's intention. And so I don't think notice was given.

I appreciate that Santander said it doesn't have evidence of Mr S's three branch visits where he was refused access to his funds. From what I have seen, there is an internal note about a call from a branch on 25 October 2023, which is when Mr S said he went into one of Santander's branches. The note doesn't say that Mr S was refused access to his funds but at the same time I cannot see why Mr S would visit a branch for any other reason. The note says that Mr S was removed from one of the accounts he holds jointly with his partner. But, on balance, I don't think Mr S would have visited the branch for that reason. I think it is more likely than not that he went to get his funds. I also note that Mr S has consistently said that he visited Santander's branches three times and access to his funds was refused on all three occasions. I think this supports my findings that, on balance, he did ask for his funds back but was refused. I also don't see what Mr S would have to gain by not actively trying to retrieve his funds. So I think it's more likely than not that he did try to get his funds sooner but was unable to.

The decision to close the accounts without notice

In terms of Santander's decision to close the accounts, 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 must keep a customer or require it to compensate a customer who has had their account closed.

Under its terms and conditions, Santander can close an account with two months' notice or immediately in certain circumstances including where the customer was abusive, they failed to provide information, they've become bankrupt etc.

In this case, as I said above, Santander closed the accounts with immediate effect. For Santander to act fairly here it needs to meet the criteria to apply its terms for immediate closure. Having looked at those terms and all the evidence I'm not satisfied that Santander did. I have looked at the reasons Santander provided in support of its decision but I am not persuaded that the terms that apply to immediate closures applied here. So, I don't think it was entitled to close the accounts in the way it did. Though, for reasons I gave above, I've decided not to ask it to reopen the accounts I think it should compensate Mr S for the distress and inconvenience he suffered as a result of the immediate closures.

Impact on Mr S

Mr S said that he wasn't able to pay for his bills or buy food. He said he also had to rely on his partner and others for help while he couldn't access his funds. He added that he had to arrange for his salary to be paid to another account which he managed to open after his accounts were restricted. Also, as I said above, Mr S attended Santander's branches but couldn't get his funds back. Overall I think £300 compensation is fair in the circumstances and in line with awards we would make in similar situations. I have also borne in mind that, Santander caused undue delays in the way it proceeded with the closures and also that Mr S's funds were still not refunded at the time of our investigator's view, in April 2024.

Mr S has been deprived of funds in his accounts for a number of months. This is money that he should have had available to him to use as he wanted. I can't say for sure what the specific cost of not having these funds available would be. It will have influenced a whole host of decisions about spending and borrowing over that time. With that in mind I'm satisfied awarding 8% simple interest on the amount for the period that it wasn't available to Mr S. It is a reflection of the cost of being deprived of these funds. It's also in line with the statutory interest rate on judgment debts. As our investigator pointed out, interest on Mr S's savings account was paid until January 2024 so I think the 8% interest should apply on those funds from January 2024.

Mr S mentioned an investment opportunity that he missed out on. He said he was due to pay £2,500 to invest in a start-up and, had he done so, he would have benefited from a number of rewards which would have amounted to around £700. Our investigator didn't think that this loss flowed directly from Santander's actions and also thought that it was a loss that hadn't materialised so she didn't ask it to compensate Mr S for it. Mr S didn't agree and said the only reason the payment failed was because his account was blocked and restricted. I have considered what Mr S has said but I have come to the same conclusion as our investigator for largely the same reasons. Furthermore, for me to make this award I would have to be satisfied that not only was this a loss which flowed directly from Santander's actions and that it was reasonably foreseeable, but also that it is a loss that can't be mitigated. And I haven't seen enough evidence to persuade me that, on balance, Mr S won't be able to find a similar opportunity in the future and that it won't provide him with similar or more returns.

Nevertheless, I appreciate Mr S was denied access to his funds and it is for this reason that I have awarded interest on those funds.

My final decision

For the reasons above I have decided to uphold this complaint. Santander UK Plc must pay Mr S £300 compensation for the distress and inconvenience it caused him by restricting and closing his accounts. If it hasn't done so already, it must also release his funds and pay him 8% interest per year simple on the total balance on his current account(s) from 4 October 2023 to the date it pays/paid him. And it must pay 8% simple interest per year on the balance on his savings account(s) from 15 January 2024 to the date it pays/paid him.

Santander UK Plc must pay the compensation within 28 days of the date on which we tell it Mr S accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

If Santander UK Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 September 2024.

Anastasia Serdari
Ombudsman