

The complaint

Mr H complains Santander UK PLC allowed someone else to cash a cheque in his name into a fraudulent account, so he would like Santander to refund him the value of the cheque.

What happened

Mr H says he contacted his ISA provider, I'll refer to them as "B", to request a withdrawal of £20,000. This was sent to Mr H via cheque in his name, however, Mr H says he never received the cheque. He chased B when he hadn't received the cheque and they informed him that the cheque had already been cashed into an account with Santander in his name. Mr H says this account doesn't belong to him and it must have been opened by a fraudster. Mr H says Santander should've carried out more thorough checks on this account and it should not have allowed someone else to cash his cheque and spend the funds.

Santander agree that the account was owned by a fraudster and have now closed it. However, it says it is suspicious about why B issued the withdrawal by cheque instead of a balance transfer. It also questioned whether Mr H had reported this incident to the police or action fraud. Santander states that the loss of this money wasn't caused by a mistake it made, so it hasn't refunded Mr H the £20,000.

Our investigator considered this complaint and upheld it in favour of Mr H. Santander responded asking further follow-up questions about the timeline and why B didn't tell Mr H that the cheque had already been cashed when he first asked. As Santander didn't agree to the initial outcome the complaint has been passed to me for a 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.

Neither party is disputing that the account the cheque was cashed into didn't belong to Mr H. The cheque was posted to Mr H at his correct address by B so I am satisfied that Mr H was the true owner of the cheque, and there is no reason why he shouldn't have had immediate access to these funds. I've also not been provided any evidence to suggest that the cheque was altered in any way, so I am of the opinion that Mr H was the owner of this cheque, and so it should've only been cashed by Mr H.

However, a third party gained possession of the cheque and cashed it into an account with Santander. So, I must now consider whether Santander acted in good faith and was not negligent when collecting the cheque. From the evidence I've seen, I think Santander was negligent in collecting this cheque, I'll explain why.

Santander has provided evidence to show that the fraudulent account was opened online, and that further checks were needed to be completed. However, I have no evidence that the documents provided online were ever verified in branch. In fact, the evidence suggests no ID documents were ever presented in person. So, it seems Santander had allowed this account to be opened without completing its KYC (know your customer) checks. Further to this the

evidence shows the fraudster was able to change the account name to Mr H's name and then it accepted the cheque and cashed it into the fraudsters account. At this point it seems the initial documents needed to open to account had still not been received. And they were able to change their name on the account with a deed poll document. Therefore, I think Santander have been negligent in collecting this cheque and cashing it into an account which it had not properly verified.

The cheque was cashed, and the funds were quickly transferred out the account. However, Santander did not carry out the necessary verification when the account was opened, and it did not carry out any further verification when the cheque was cashed, or when the funds transferred out. So, I think Santander has not fulfilled it's obligations under the Cheques Act 1957 and therefore I think it should refund this money to Mr H.

I also agree with the investigator's initial view that Santander should pay Mr H £300 in compensation for the distress and inconvenience caused. This is because I think Santander should've been aware that it had not carried out sufficient checks and allowed a fraudster to cash this cheque when Mr H first complained to it. Mr H has been without this money for several months now and having such a large sum of money missing from his savings has understandably caused stress and upset.

Putting things right

Santander should put things right by paying Mr H £20,000 – as the value of the cheque – together with 8% simple interest from the date the cheque was deposited into the wrong account, till the date it is paid back to him. Santander should also pay Mr H £300 in distress and inconvenience.

My final decision

I am upholding this complaint. Santander UK PLC should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 16 September 2024.

Sienna Mahboobani
Ombudsman