

The complaint

S, a limited company, has complained about the way that Santander UK Plc dealt with a transaction made by one of its authorised signatories. Mr M, as director of S, is representing the limited company.

What happened

An authorised signatory on the business account made a transfer of around £5,000. They were a director and shareholder of the company and were authorised to make payments.

Shortly after the payment went through, Mr M called Santander to try to stop the payment. Santander misadvised Mr M that they could stop the payment. But they couldn't – it had already gone through. Santander have apologised and offered S £300 compensation for the incorrect advice.

While Mr M accepts that the payment was authorised and that it is a civil matter between S and its former director, he has still asked for Santander to refund it. He's explained that the payment caused S a great deal of trouble. He's also complained about how the matter affected him personally, and about having to go into branch.

Our Investigator looked into things independently and found that Santander had made a fair offer to resolve the matter. S didn't agree, so the complaint's 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.

First of all, I do appreciate that this has been a difficult time for S in light of its former director's actions, and I appreciate why it would like to be reimbursed. I'm also grateful to Mr M for being open and candid with us about how the matter made him feel.

I should first explain that in this complaint, I can only consider the issues which were raised as part of this complaint and dealt with in Santander's final response – namely, the transfer, the misadvice, and removing the signatory. S has also brought some separate issues to us, which were not a part of that complaint and final response, such as issues with some cheques. If S would like those to be considered, it can raise a separate case to this one.

Broadly speaking, Santander can be held liable for unauthorised payments, whereas S is liable for authorised payments. Here, both sides accept that the employee was an authorised signatory of S at the time. As such, the payment was authorised, Santander don't have to refund it as being unauthorised, and S is liable for it in the first instance.

I can certainly understand Mr M's unhappiness at finding out the payment wasn't stopped when he asked for it to be. I do sympathise with him. But ultimately, regardless of what Santander told him at the time, by the time he called it was too late. The payment had already gone through. Santander were mistaken in giving S the impression they could block it at that point, and accept they caused confusion there.

Santander did contact the receiving bank, but the receiving bank confirmed they were unable to recover the funds. And as this was a civil dispute between authorised signatories, there wasn't really anything more that Santander could do there. For all they (or we) know, S may have owed that person that money anyway – that's between them. While I appreciate that S would have liked more help or support from Santander, there wasn't really much else they could do. This is, ultimately, an underlying dispute between S and its former director. I'm afraid that S will need to pursue that dispute with its former director.

It's also worth keeping in mind that it's the former director who made the payment, and so it's the former director who is primarily responsible for that payment and the impact it had on S. As noted above, the employee was an authorised signatory and the payment was authorised. So Santander were not wrong to process it at the time, and Santander are not liable for the effects that payment had. And again, as I don't have the jurisdiction to investigate the underlying dispute between S and its former director, for all I know S might have owed that money to them anyway and didn't suffer an undue loss from the payment.

What Santander did get wrong was misadvising S that the payment could be stopped, when it was actually too late to stop it in reality. Of course, even if Santander had given the correct advice, that payment would still have already gone out. Regardless of Santander's advice, S still would've faced the impact of that payment, Mr M would still have needed to spend time talking to Santander, he would still need to have gone to Santander to remove the signatory, and so on. And as far as I can see, Santander removed the signatory in the applicable amount of time. So there's only so much I can hold Santander responsible for here.

Turning to the issue of compensation, I need to first clarify that I am only able to award compensation to the eligible complainant, Santander's customer. Here, that's S, the limited company. S's employees, such as Mr M, are not Santander's customer here nor the eligible complainants. Further, S – as a legal entity rather than a person – cannot suffer distress. So I can only consider the inconvenience which was caused to S as a company.

When a bank gets things wrong, we often tell them to pay compensation, to acknowledge their error and the impact it had. In terms of the amounts, it's worth keeping in mind that we're an informal dispute resolution service. We're not the regulator, so we're not here to issue fines or to punish banks. Here, I can see that Santander's incorrect advice caused S some acute trouble and inconvenience which needed extra effort to sort out. So taking into account the impact Santander's error had on S, along with the guidelines for compensation which I must be consistent with, I find that their offer of £300 compensation is fair to put right their mistakes in this particular case surrounding this transfer.

My final decision

For the reasons I've explained, I find that Santander UK Plc have already made a fair offer to resolve this particular complaint. Santander UK Plc should pay S the £300 compensation offered, if they've not done so already. I don't make any further award.

This final decision marks the end of our service's consideration of this case.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 25 November 2024.

Adam Charles
Ombudsman