

The complaint

Mr H complains about the way Santander UK Plc handled payments that were made into his account in error. He is also unhappy that Santander closed his account and removed his overdraft facility.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr H had an arranged overdraft of £1,500 on an account he had with Santander. Mr H consistently used his overdraft facility with numerous card and bill payments and direct debits.

In April 2023, Santander reviewed Mr H's account. Whilst it completed its review Santander blocked Mr H's account, which meant Mr H wasn't able to access his account. Santander also told him that it was withdrawing his overdraft. And that he'd need to repay what he owed.

At the time Mr H's account was overdrawn by just over £1,420. On 13 June 2023, Santander changed the type of block applied to Mr H's account so that Mr H could clear his debt.

On 16 June 2023, Mr H's account received a faster payment credit of £1,000, which reduced the outstanding balance that Mr H needed to repay to just over £422. On 26 September Mr H's account received another faster payment. This was from Mr H's father for £1,200. The payment cleared Mr H's outstanding debt. Following this in November 2023, Santander closed Mr H's account and sent him a cheque for the remaining balance of just over £770.

Mr H wasn't happy that Santander had used the payment from his brother and father to clear his debt. He said that his brother accidentally sent £1,000 to his account, instead of sending the money to their other brother's account. Mr H says his father also sent him £1,200 by mistake in September 2023. He's explained that this payment should have gone to his other bank account and was a loan from his father, to pay for the cost of getting his bathroom renovated.

Mr H complained to Santander and asked them to send the funds back to his brother and father. In response, Santander told him that due to being overdrawn and his overdraft being cancelled (which he was informed about) no payments could be returned. Santander advised Mr H to tell his brother and father to request the funds to be recalled through their banks.

Mr H contacted Santander again and an advisor incorrectly told him that the money paid in by his father and brother would be returned to him via cheque. Mr H complained about being given the wrong information. In response, Santander apologised and said it shouldn't have told Mr H it would be sending him cheques for the funds. Santander also paid Mr H £60 compensation for any trouble and upset he'd been caused as a result of being given

misinformation. The bank also explained that because it had removed Mr H's overdraft facility when it had decided to close his account, it wasn't able to reissue the cheque for the £1,200 that Mr H's father had sent in error. Santander said that Mr H's father's bank may recall the payment.

Mr H brought his complaint to our service where one of our investigator's considered it. Mr H told us that Santander had taken money that had been paid into his account by mistake and used it to clear his overdraft balance. He said Santander should send the money paid into his account back to his relatives and allow him to repay his overdraft using his own money. He's said that he is happy to set up a repayment plan to repay the overdraft. And doesn't think it is right that the bank used over people's money to repay his debt. Overall, he said that the bank's actions caused him stress and financial detriment

The investigator asked Mr H to provide evidence that his brother and father had contacted their banks to request the money to be returned.

In response, Mr H provided screens shots of Whatsapp messages between his brother, who I will refer to as X, and his bank, which I will refer to as bank B. The screenshots showed that on 17 June 2023, X told bank B that he'd sent £1,000 to Mr H, but had used the wrong account. And that he had meant to send the money to a different bank account that Mr H had. He said the account he'd sent the payment to had been blocked, due to the account being under investigation, so Mr H hadn't been able to access the funds. Bank B told X that it couldn't recall the funds and that Mr H would need to speak to Santander in order to gain access to the money that X had sent to him.

Mr H provided further screenshots of conversations he says X had with bank B in July 2023. These showed that X told bank B that he had meant to send the £1,000 to a bathroom and tile business and that he didn't know Mr H. X said it was wrong for Santander to use money he'd sent to a wrong bank account to pay off someone's debt. So, he wanted bank B to recall the funds. In response, bank B told X that it was unable to recall payments sent to overdrawn accounts. And that it is against the Credit Payment Recovery guidelines to process a recovery against an account that is overdrawn, as banks are only able to remove actual credit funds from their accounts or agreed overdrafts, not take their customers into unauthorised overdrafts.

Mr H also provided screenshots of conversations his father had with his bank. These showed that his bank had asked Santander to reach out to Mr H to recover the payment. In response, the bank said that Santander said it couldn't return the funds as Mr H's account was now closed and no funds remained.

The investigator reviewed everything and partly upheld Mr H's complaint. She said that she hadn't seen enough information to conclude Santander had treated Mr H fairly when it had blocked and closed his account. She didn't think Santander had done anything wrong when it had allowed the money X had sent to Mr H to clear some of Mr H's overdraft debt. She also said that Santander had done enough to put things right in relation to the misinformation it had given Mr H. So, she didn't think it needed to do anything more to resolve Mr H's complaint.

Mr H disagreed. In summary he said:

- two payments had been made in error to his account. Not just one.
- His brother and father had tried to recall the payments through their banks and Santander refused the requests, which had left them out of pocket.
- His brother and father are not liable for a debt that he owes. And it is unfair to use his

relatives' money that was sent to him by mistake re clear his debt.

- He was told by Santander that he would receive the funds back and this was a lie.
- He has been given misinformation by Santander on more than one occasion.
- He is more than happy to repay the overdraft using his own funds.
- It's unfair that he is expected to repay his brother and father due to Santander refusing to refund them.

As no agreement could be reached the matter came to be to review. After looking at all the evidence I issued a provisional decision which said he following:

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Santander has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr H, but I'd like to reassure him that I have considered everything.

I'll deal first with the block and closure of Mr H's account. 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 summarized 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.

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 result.

I've considered the basis for Santander's review and having done so I find this was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied Santander acted fairly by blocking and reviewing Mr H's account. So, I can't say Santander have done anything wrong when it decided to review Mr H's account.

Sometimes following a review, a bank will decide to close an account. Santander is entitled to close an account with Mr H just as he is entitled to close his 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 must keep a customer or require it to compensate a customer who has had their account closed.

As long as they 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. But before Santander closes an account, they must do so in way which is fair and complies with the terms and conditions of the account. I've looked at the terms and conditions and they state that Santander could close Mr H's account by giving at least two months' notice. And in certain circumstances it could close the account immediately.

In this case Santander closed Mr H's account immediately and wrote to him on 27 November 2023, enclosing a cheque for the closing balance. However, Santander blocked Mr H's account in April 2023. So, I consider Santander closed Mr H's account in April 2023 since he wasn't able to use the normally account following the block. For Santander to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, I'm satisfied that Santander did. And that it was entitled to close the account as it's already done.

I've then gone on to consider whether the bank's reasons for closing the account was fair. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Santander has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr H due to its commercial sensitivity. But I've seen nothing to suggest Santander's decision around closing Mr H's account was unfair. So, I won't be asking Santander to do anything to resolve this aspect of Mr H's complaint.

The crux of Mr H's complaint is that he says Santander used money that had been paid into his account in error to repay money he owed the bank. He says Santander should have sent the money back to the senders (his brother and father) and then allowed him to repay what he owed from his own money. The key issue I need to decide here is whether Santander has treated Mr H fairly in respect of a debt that appears to have resulted from use of his current account. Mr H had an overdraft debt of just under £1,500 that he needed to pay back.

Having looked at all the evidence, I don't believe Santander has treated Mr H unfairly when it used the money Mr H received into his account from his relatives to clear his overdraft. In reaching this conclusion I have looked at the account terms and conditions, which I'm satisfied Mr H would have agreed to when the account was opened. And I can see those terms state that if Santander reasonably believe that a faster payment is made in error, and the senders let them know in two months after they'd made the payment, it might stop Mr H from using the money. And can take it out of his account and return it to the bank who sent it. But this doesn't mean Santander must (if notified) return any payments – especially if doing so would leave their customer in a worse position as it would have done in this case – Mr H would have been put back in debt because his account was overdrawn when the funds credited his account.

In any event, from looking at the screenshots Mr H has provided of the conversations X and his father had with their banks, I'm not convinced that the payments were made by mistake. I say this because, X initially told his bank that he'd sent the payment to an account that his brother can't access due to it being under investigation – in other words the wrong account. But when X contacted his bank again, he told them that he didn't know Mr H, and that he meant to send the funds to a bathroom and tile business, which I find quite surprising given Mr H has told us that X is his brother. And he was clearly aware (based on his earlier message) that Mr H's account was blocked.

I've also kept in mind that the second time X contacted his bank was after Santander had told Mr H that it wasn't going to return the payment X had sent. So, I think it's likely that X changed his story about the payment in an effort to get Santander to return the funds. I've looked at the conversations between Mr H's father and his bank. These state that he'd simply sent money to his son's account which had been closed. So, I'm not convinced this was done in error either. In any event, it is the responsibility of X and Mr H's father, not Santander, to check the account details of any payments they wanted to make were correct.

When I weigh everything up, I don't think Santander treated Mr H unfairly by allowing the money paid in (albeit Mr H says this was a mistake) to credit his account. I can see that Mr H's account was overdrawn and so I don't think Santander made a mistake or acted unfairly by using the money to repay the overdraft balance. I accept that Mr H says he didn't want this to happen, but I'm satisfied Santander was entitled to take the action it did.

Finally, Santander has paid Mr H £60 compensation as it accepted it had given Mr H incorrect information when it told him he'd receive cheques for the money paid into his account by his brother and father. I can see this situation has caused Mr H worry, and he's found it quite stressful, which is understandable. But I think the compensation already paid is

fair and reasonable, so I won't be asking Santander to do anything more to resolve this aspect of Mr H's complaint.

Neither party responded to my provisional decision.

Now both sides have had an opportunity to comment 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.

As neither party has provided anything new for me to consider, I see no reason to depart from my provisional findings. I remain of the view that this complaint should not be upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision.

My final decision

For the reasons I've explained, my final decision is that I don't require Santander UK Plc to do anything more to resolve Mr H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 18 September 2024.

Sharon Kerrison
Ombudsman