

The complaint

T a limited company, complains Santander UK Plc unfairly withheld funds it was entitled to.

T is represented in this complaint by Mr B, a director of T.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

T received a payment in on 12 May 2023 which prompted Santander to carry out checks. The funds were not accessible by T whilst Santander carried out its checks. Santander asked P for more details regarding the payment, and this was provided by 18 May 2023.

Santander's checks resulted in the funds being returned to the sender on 28 June 2023. T says the sender informed it the funds were only received back on 10 October 2023. The funds were resent to T but were only received on 13 March 2024.

T raised a formal complaint with Santander about the handling of its account. It says the delays and poor service it received from Santander had a significant impact on its business. It said it incurred financial and reputational damage. It said being deprived of these funds for 10 months meant it had to take out additional borrowing.

Santander reviewed T's complaint and found that it had acted fairly and in line with its regulatory obligations. It did however accept that the service provided whilst it reviewed the incoming payment wasn't at the level it should've been, and it paid P £50 for the inconvenience caused. Unhappy with its response, T referred the complaint to our service. An Investigator reviewed the complaint and in summary, made the following findings:

- Santander was complying with its obligations when it held the funds and asked T for information and documents relating to the payment.
- But Santander could have returned the payment to the sender sooner than it did.
- Santander should've informed T of its decision to return the funds to sender.

To put things right, the Investigator recommended Santander take the following actions:

- Santander should pay T 8% statutory simple annual interest on its funds of £7,672 from 1 June until 10 October 2023.
- £500 and £150 respectively for the inconvenience and reputational damage caused.
- Refund the interest charged on T's additional borrowing of £4,958.00 and £588.00 on 30 June and 18 July 2023 respectively until 13 October 2023.
- Refund T's VAT late payment penalty of £103.02 issued by HMRC ON 11 October 2023.

Mr B generally agreed with the recommendations but felt that the compensation didn't adequately compensate him and T for the time spent trying to resolve the issues. Mr B says this exceeded 80 hours of his time.

Santander responded and agreed to pay:

- 8% simple interest on the payment up to 28 June 2023. The Investigator revised this to extend to 10 October 2023 as this was when the payment was received by the sender.
- An additional £650 in distress and inconvenience.
- Refund T's VAT late payment penalty of £103.02 issued by HMRC ON 11 October 2023.

Santander didn't agree to pay the interest on the additional borrowing Mr B says that T had to take out due to the delays.

As no agreement could be reached the complaint was referred to an ombudsman for a final decision. I issued my provisional decision on the complaint on 28 November 2024. Both Mr B and Santander have responded, so I will now 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.

I've included my provisional decision below.

Firstly, I'm aware that I've only summarised Mr B's complaint points. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. I can assure Mr B that I have carefully considered his detailed submissions.

Whilst the complaint has been waiting for an ombudsman review Mr B has informed us of Santander's decision to close T's account. I will not be addressing the account closure in my decision. I understand a separate complaint has been set up regarding this complaint point. This decision will focus on Santander's handling of the incoming payment in May 2023.

Review of incoming payment

Santander withheld an incoming payment from T to carry out checks. Santander wanted information about the nature of the payment. I accept that this was inconvenient for T. However, I would expect the bank to act in precisely the way they did. Banks have legal and regulatory obligations. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. Banks have an ongoing duty to prevent fraud and safeguard their customers money. I'm satisfied Santander was complying with these obligations when it reviewed this incoming payment.

In order to establish the nature of the payment further information was requested from Mr B. Santander has explained that the information contained a discrepancy – which originated within the information used by the sender for the payment. As a result of this discrepancy Santander made the decision to return the funds to sender. Santander did this on 28 June 2023. However, as this was an international payment there were numerous checks and stages the refund needed to go through. It also appears that the discrepancy in the payment details contributed to the extra checks and delays. The funds reached the sender on 10 October 2023.

A key part of Mr B's complaint is that he was never informed by Santander that it was returning the funds to sender. Although T's account was still accessible during this period, I do think Santander could've been clearer about the steps it was taking and its decision to return the funds to sender. Mr B says the lack of updates meant he couldn't explain the situation to the sender and arrange another transfer.

I've looked at the timeline of events and I do think Santander could've expedited matters faster than it did. I can see Mr B provided a response to its requests for further information in a timely manner. Santander returned the funds on 28 June 2023, but I think it could've done this in early June given the information it had.

The Investigator reviewed the findings and recommended Santander pay interest on the funds up until 10 October 2023, which is when the sender received the funds. The reasoning for this was that Santander hadn't communicated with the Mr B and she was persuaded by Mr B's comments that the sender would've resented the necessary funds.

Santander has provided details of communications it received from the intermediary bank once it had returned the funds to sender through the SWIFT payment system. Looking at this information I can see that there were additional checks carried out before the funds could be returned. This involved checking the details which had discrepancies in when the payment was first received. I can't see that there was an error in the return payment that Santander made, and there appear to be queries between the relevant intermediary banks.

I appreciate Mr B's comments about the importance of the payment and the emails between him and the sender show that it was aware of the issues Mr B was having with the payment. However, based on the information I've seen I'm not persuaded it would be fair or reasonable to hold Santander liable entirely for the delay in the funds being returned. I say this because once the funds were returned in late June 2023, various other checks and entities were involved in the journey of the payment.

In addition, although the sender had an existing relationship with T, I can't say from the correspondence that I've seen that it would've sent another payment without the receipt of the initial payment amount. I agree that Santander should've done more to keep Mr B updated and its communication wasn't pro-active, but I don't think it would be fair to ask it to pay interest on the funds until October 2023.

Interest on additional borrowing

A key part of T's complaint is that additional borrowing had to be taken out to cover costs as Santander had returned the funds to sender. As outlined above, I think Santander had reasonable grounds to check the payment and return it to sender based on the information it had access to. But I also accept Santander could've communicated more clearly and dealt with the payment in a timelier manner.

Mr B has provided details of the additional borrowing he had to access as he was deprived of funds. This includes borrowing of £4,958 on 30 June 2023 and an additional £588 on 18 July 2023. It seems T had an existing relationship with the lender that it used on these two occasions. I don't doubt the lack of access to the incoming payment would've had an impact on T and its ability to meet its financial commitments. Having considered T's bank statements, I can see the balance in its account does fluctuate throughout the course of the year. But I am also mindful that the additional borrowing was taken out after June 2023, and I don't think Santander is wholly responsible for the delays after this point. The 8% simple interest applied to the funds up until the end of June compensates T for being deprived of funds during this time. I am not persuaded Santander ought to be liable for the interest on the borrowing taken out after this point.

Impact on P

I've gone on to consider the impact Santander's handling of the account had on T. Mr B has provided detailed submissions on the financial and reputational impact the entire matter has had on T. Mr B has also detailed the time and resource he has spent trying to resolve matters. Mr B believes the compensation recommended doesn't accurately reflect the true impact Santander's actions have had.

Firstly, as this complaint is brought by T, I must consider the impact Santander's actions had on it. I appreciate Mr B is a director of T, but I am unable to consider the impact on him in a personal capacity. With that in mind, I acknowledge the review and return of the payment will have undoubtedly had an impact on T. But since I haven't found Santander to be at fault for the way its decision to review and return the payment, I won't be considering compensation for T for this issue.

However, as already acknowledged the communication and customer service provided by Santander should've been at a better standard. Santander touched upon this in its final response letter and paid T £50. The Investigator didn't think this was adequate and recommended Santander pay an additional £650. This is to compensate T for the inconvenience caused and the reputational damage caused by the poor service and delays caused by Santander.

Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses. The primary purpose of our awards for distress and inconvenience are to recognise the impact on a consumer where there have been shortcomings. In this case I'm satisfied the additional £650 compensation award recognises the inconvenience caused. I am also mindful that Santander has agreed to the recommendation to cover the VAT late penalty fee T has incurred due to its lack of access to the funds.

When considering the total compensation for T, I'm satisfied the interest on the funds until the end of June 2023, compensation for poor service and the reimbursement of the VAT penalty fee represents a fair and reasonable approach to putting things right.

I know this my proposed outcome is not what Mr P was hoping for, but I hope it provides some clarity around why I am not currently minded to award compensation to T as set out by the Investigator.

Responses to the provisional decision

Santander accepted my provisional decision.

Mr B responded to my provisional findings reiterating the key aspects of his complaint. I won't repeat each of these here, but I can assure Mr B that I have carefully considered all of his submissions when reaching my decision.

In his response Mr B explains my findings are unfair. I understand Mr B's surprise at my findings given his complaint had previously been upheld with greater compensation. However, this service has a two-stage process and Mr B requested an ombudsman review. This meant all of the information on the complaint has been reviewed afresh so that I can reach my own conclusion. My provisional decision set out my initial findings to allow Mr B an opportunity to provide final submissions in light of the change in outcome.

Mr B says that he was told that he would be placed back in the position he would be in had Santander not done anything wrong. This is our overarching aim when we find a business is at fault. In T's complaint I am satisfied the compensation I have recommended puts right the issues I have found Santander responsible for. I appreciate this does not go as far as Mr B would like as the losses he says T has experienced due to Santander are greater than I have found. But I haven't seen sufficient evidence to hold Santander liable to the extent Mr B would like.

I can also see Mr B says T has never received the £50 from Santander. This offer was outlined in the final response letter issued by Santander. I can also see a £50 credit to T's account following the response.

Mr B has reiterated the poor communication from Santander. I accept there were occasions when Santander should've done better. It didn't explain matters to Mr B clearly or provide him with updates and information. This failing did have an impact on T and I think the compensation I've recommended adequately reflects this. I think it's important to highlight the award of compensation I've outlined is at the higher end of our scale for compensation. This is because I appreciate the impact the poor communication would've had on T and the running of its day-to-day activities.

Santander returned the payment to sender following the checks it carried out. As outlined in my decision, this review should've concluded sooner than it did, and the funds should've been returned by the beginning of June. The funds left Santander at the end of June 2023 and based on the evidence I've seen I can't hold Santander liable for the subsequent delays. Santander returned the payment with the details it had received and used this for the return. As explained, the intermediary banks carried out checks on the return payment and based on the evidence I have I can't see that Santander has contributed to the delays during this stage.

I know this will not be the outcome Mr B was hoping for and he will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking Santander to extend the compensation outlined in my provisional decision.

Putting things right

I direct Santander UK Plc to put things right as outlined below:

- Pay T 8% statutory simple annual interest on the funds of £7,672 from 1 June until 28 June 2023.
- Pay T compensation of £650 in recognition of the inconvenience it experienced and reputational damage caused by Santander's poor service.
- Refund T's VAT late payment penalty of £103.02 issued by HMRC ON 11 October 2023.
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My final decision

I uphold this complaint. I now direct Santander UK Plc to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 2 January 2025.

Chandni Green
Ombudsman