

The complaint

Mrs L and Mr M complain Santander UK Plc unfairly closed their account and withheld funds.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points. Although this is a joint account, I will mainly refer to Mr M.

Mrs L and Mr M held a Santander current account. The account was blocked on 21 June 2024 as Santander had received fraud claims. These related to two incoming payments – one for £7,500 on 13 May 2024 and another for £3,000 on 13 June 2024.

Santander reached out to Mr M to carry out a proof of entitlement exercise. Mr M explained that the funds paid in were in relation to his cryptocurrency trading. Mr M explained in detail that he uses a third-party platform to trade, and he wanted to bring money from this platform to his UK Santander account. Mr M said he used peer to peer trading – which involved Mr M sourcing a merchant who would receive his assets on the third-party platform and deposit the corresponding amount in his Santander account. Mr M said the two ‘merchants’ he found had now scammed him by submitting a malicious fraud claim on the funds received.

Santander reviewed Mr M’s comments and the account overall. On 8 July 2024 Santander made the decision to withdraw its services from Mrs L and Mr M. It provided Mrs L and Mr M with 30 days’ notice so alternative banking arrangements could be made. On this date it also debited Mrs L and Mr M’s account with £3,000 and £1,876.76. Santander said this was due to the scam claim that had been raised and the indemnity process in place.

Mr M raised a formal complaint with Santander regarding the handling of the account and their funds. He explained that he had provided extensive evidence to show the incoming payments were legitimate. Mr M said this is a well-known scam and Santander should’ve verified the claims prior to closing the account and returning the funds. Santander reviewed Mr M’s concerns and maintained it had acted fairly. It said it had a duty to take the fraud claims seriously, and it must act quickly and responsibly.

Unhappy with the response received from Santander, Mrs L and Mr M referred their complaint to this service. An Investigator reviewed the complaint and made the following overall findings:

- Santander acted fairly and in line with the account terms when it decided to close Mrs L and Mr M’s account.
- However, the evidence provided by Mr M is adequate to show their entitlement to the funds.
- Santander shouldn’t have returned the funds to the remitting bank. It should return this amount to Mrs L and Mr M.
- Santander should return these funds and apply 8% simple interest to the amount for the period Mrs L and Mr M were without these.
- Santander should return the account balance to Mrs L and Mr M. No interest needs

to be applied to this, as it seems Santander followed the correct steps and the issue of receipt was with the It should also pay £150 in distress and inconvenience.

Mrs L and Mr M accepted the recommendations. Santander agreed to return the funds, however it didn't agree compensate Mr M and Mrs L for the funds it returned to source and to pay interest or compensation to Mrs L and Mr M. The funds were returned in USD on 29 January 2025.

In response to the view Santander said its investigation could not clearly conclude Mr M was the victim of a scam, and the evidence he provided didn't show he was acting on the behest of a third party.

As no agreement could be reached, the complaint has been referred to an ombudsman for a 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.

Having done so, I've reached the same outcome as the Investigator and find this complaint should be upheld. I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr M and Santander have said before reaching my decision.

Banks like Santander are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means bank's need to restrict, or in some cases go as far as closing, customers' accounts.

Santander has provided me with an explanation, and some supporting evidence, to show why it decided to effectively block the account in June 2024. As Mr M is aware – the review and block were prompted by the two fraud claims it received regarding incoming payments. Having carefully considered this and the account terms, I'm satisfied it acted in line with its obligations in restricting the account.

Santander has explained to Mr M that it received a request from the sending bank for the two incoming payments to be returned. Santander blocked the account immediately, and asked Mr M for evidence relating to the funds. Mr M provided screen shots of the third-party trading platform he used and his transfer of USDT's to the two merchants who had agreed to transact with him. Santander didn't consider this evidence sufficient to demonstrate Mr M was the victim of a scam. I understand Santander's reservations about relying on this evidence alone, but I find Santander should've carried out a more thorough review and asked Mr M for additional evidence.

Santander says there wasn't information to support Mr M's claim he was the victim of a scam. In such instances there's always a possibility a customer may themselves be

unwitting victims of a scam. So I think Santander failed to carry out the level of due diligence and investigation required to satisfy itself that Mr M wasn't acting in good faith.

Part of Santander's reasoning for returning the funds is that it received two separate fraud claims, and it is under a regulatory duty to return these funds following an indemnity claim. Santander's is obligated to take such claims seriously, but there isn't an automatic assumption that funds ought to be returned. The best practice guidelines for APP scams say that generally funds should be returned – except in certain situations, such as where the recipient has a credible claim to them. As soon as Santander reached out to Mr M he explained that he had a claim to the funds. At this point it should've conducted its own review, and the refund is based on adequate due diligence being carried out. Which, as I've said, I don't think was.

That brings me to the crux of this complaint, which is whether Mr M has shown he was entitled to those funds and has likely been the unwitting victim of a scam. Santander does not agree Mr M has shown he was entitled to the funds, and it points to certain evidential inconsistencies to support this. However, Santander has also accepted the evidential requirements to show Mr M was 'witting' in his involvement with fraud haven't been met.

Mr M has provided detailed evidence to this service. In instances where Mr M hasn't been able to provide supporting evidence, he has outlined his attempts to obtain this evidence from the third-party platform he used. Overall, I'm persuaded that the evidence Mr M has sent to this service shows that he was entitled to the funds, and that he has been the victim of a crypto related scam. My reasons for this are:

- Mr M has provided downloaded evidence of the third-party platform he used – this includes details of his account, and two transactions in question for USDT. The evidence from this platform is clear and corresponds with Mr M's testimony around the transactions.
- Mr M has provided a video of one of the individuals who has claimed an incoming payment was fraudulent. This video shows this individual holding his driving license, and Mr M says this was sent to him as part of the checks he conducted on the third-party crypto trading platform. I can't see how Mr M would be able to obtain this video without him having the prior involvement with this individual.
- The disputed claims are over three weeks apart – 13 May 2024 and 24 June 2024. The account continues to function as normal, with a high balance and multiple transactions. This isn't the type of behavior that generally follows the receipt of fraudulent funds.
- I've considered the fraud claim details submitted to Santander and the name of the third-party trading platform the alleged victim differs to that used by Mr M. This discrepancy supports Mr M's position as a legitimate claim would include the name of the third-party platform Mr M has shown he used.
- The fraud report states the alleged victim was told to invest funds in stages – however, only one incoming payment was made to Mr M's account. No further payments appear to have been flagged.
- The timeline provided by the alleged victim doesn't seem plausible. The report purports that the scam had begun in 2023, but the payments were made in mid-2024.
- The alleged victim also said they spoke to a woman – but the name given doesn't appear to have any connection to Mr M and Mrs L.
- I now turn to Mr M's testimony, which has been consistent and detailed throughout his complaint. As part of this service's review details have been obtained from Mr M relating to his third-party crypto trading platform. Mr M has confirmed he held an account since 2021 and due to restrictions on how the assets could be transferred to accounts Mr M decided to sell his bitcoin.

- Mr M said he made a series of peer-to-peer orders in 2024 as he wanted to release his funds into his UK Santander account. Mr M has provided account activity to show that from 2024 onwards he completed multiple successful sales of his bitcoin.
- From the time the fraud claims were highlighted to Mr M to the escalation of his complaint to this service, he has been in touch with the third-party platform asking for assistance and support. Mr M has provided screen shots of his attempts to obtain details and escalate the issue further. I find this evidence supports his version of events and his belief that he was completing a genuine transaction.

So, in conclusion, and after weighing everything up, I'm persuaded Mr M has shown he acted in good faith and had accepted payments into his account after selling USDT. I also find that Mr M has most likely been the victim of a scam that he knew nothing about and where he had acted in good faith by selling his crypto assets. Had Santander investigated Mr M's entitlement as it should have, it would have been sent this information too and realised he was entitled to the funds sent.

Santander acted improperly in not carrying out the required level of due diligence here and because of that it sent the funds back to source which it otherwise wouldn't have.

So I'm satisfied Santander must now pay Mr M the funds it returned to sender. As Mr M has been deprived of these funds for much longer than he ought to have, I'm persuaded Santander should also pay 8% simple interest on them. But an investigation like the one it should have carried out would have taken time. The Investigator recommended the interest be applied from 21 July 2024 onwards and I find this to be a reasonable date. It allows for a four-week period for the investigation that ought to have taken place to establish Mr M's entitlement to the payments.

The Investigator also recommended Santander pay Mr M and Mrs L £150 in recognition of the distress and inconvenience caused by the poor handling of their account. I consider this to be a fair amount of compensation, especially as Mrs L and Mr M reside outside the UK and had to make a number of calls to Santander.

Putting things right

To put things right, Santander UK Plc should:

- Pay Mrs L and Mr M the funds it returned to sender – this is £4,876.76.
- It should also pay Mrs L and Mr M 8% simple interest on this amount from 21 July 2024 up until settlement*
- Pay Mrs L and Mr M £150 compensation for the distress and inconvenience it caused

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

My final decision

I have decided to uphold this complaint. Santander UK Plc must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L and Mr M to accept or reject my decision before 1 August 2025.

Chandni Green

Ombudsman