

The complaint

A company, which I'll refer to as R, complains that Santander UK Plc trading as Santander Corporate & Commercial, delayed in setting up a USD deposit account so that it lost a substantial amount of interest. Mr M, who is a director of R, brings the complaint on R's behalf.

What happened

In September 2022, Mr M contacted Santander with a view to transferring substantial funds in US dollars to a USD interest bearing account. It sent the application to its Services Implementation Team (CSIT). It then requested Mr M to supply supporting documents, and he did this by 8 November. The adviser found that CSIT had created the wrong form, and there was a delay in requesting the correct form.

Sander asked Mr M for confirmation concerning R's countries of trade, which he supplied. On 6 December Santander made requests for the same information and Mr M reiterated the answers. Santander then requested further information from Mr M but this was not clearly worded so he didn't appreciate that it was a request for information. Santander requested the information again on 1 February 2023. Mr R supplied this and then Santander sent the application to its due diligence team. Unfortunately due to a backlog, it didn't process the application until 19 May 2023. By then, because of the long wait, Mr M had set up a deposit account with another bank.

Mr M complained to Santander about the delay in opening the account and the interest that R had lost over the time the account should have been open. Santander offered £500 compensation, accepting that it had made errors but also said that some of the delays were unavoidable. It was not prepared to offer lost interest, as it said R did not have to hold back the funds whilst waiting for Santander to open the account.

Our Investigator reviewed Mr M's complaint, and said that Santander should pay £750 compensation and lost interest from October 2022 until May 2023. Initially he said that Santander should pay 8% interest on the lost interest but changed his view following further representations from Santander.

Santander agreed to pay lost interest at 3.05% over the period in question this included compound interest. It also accepted the proposed increase in compensation.

On behalf of R, Mr M did not agree. He said that the interest rate was not fixed and changed over the period in question and was for the most part 3.09%. He also did not understand why our Investigator wouldn't maintain the proposal for Santander to pay 8% interest on the interest. He said that R had lost the use of the interest during the period that Santander was dealing with the application. And that in accordance with our published guidelines Santander should be paying 8% interest. He also said that Santander should pay further interest for the period from May 2023 until payment.

The matter has been passed to me for an Ombudsman's consideration.

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, whilst it did not consider that it was responsible for all the delays in the application, Santander has agreed it had made errors. It is prepared to pay compensation for lost interest, compounded, from 1 October 2022 up to and including 21 May 2023. I think this is a reasonable time period, bearing in mind that it took R just four weeks to open an account at the other bank. After 21 May 2023, Mr M had taken the decision to go elsewhere and R was therefore earning interest on the new account from that date. So I don't think it is appropriate to require Santander to pay interest after 21 May 2023.

Turning to the actual figure for compensation for lost interest, this is based on an interest rate of 3.05%. I've considered the evidence supplied by Santander about the actual interest rate that applied over the relevant period. I've noted that a lower interest rate applied initially but that Santander is willing to apply the 3.05% rate over the whole period. I think that's reasonable. The actual figure payable is \$11,866.43.

In respect of the 8% figure, Mr M rightly says this is set out in our guidelines. Where we are requiring Santander to pay lost interest this is to put R in the position that it would have been in if the application had gone through properly. Our guidelines do say that if we think a different interest rate should be used, we'll explain why. Firstly the interest that Santander has agreed to pay will be compounded. And whilst I appreciate Mr R's argument that R could have used the interest during that period, I don't think it is likely that R would have been using the interest. Mr M was concerned that with interest rates going up, R should be earning interest on its substantial dollar deposits. Further R had full access to the capital sum throughout. So I won't award any further interest.

In respect of the compensation, I have awarded this for inconvenience. As our Investigator has advised, we don't make awards for distress where it is the limited company that is the complainant. I think it is reasonable to increase this to £750.

Putting things right

Santander should pay compensation for lost interest of \$11,866.43.

It should further pay £750 compensation for inconvenience.

My final decision

I uphold the complaint and require Santander UK Plc trading as Santander Corporate & Commercial to provide the remedy set out under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 3 January 2025.

Ray Lawley
Ombudsman