

The complaint

A company, which I'll refer to as K, complains that Santander UK Plc (Santander) underpaid interest on a 12 Month Business Bond and provided poor customer service after its maturity.

In bringing this complaint, K is represented by its director, who I'll refer to as Mr H.

What happened

There's little dispute between the parties about the core events in this case. So, what follows is a summary of what happened.

- In December 2022, K invested £100,000 in a 12 Month Business Bond (the Bond) with Santander.
- On 5 December 2022 Santander sent a 'welcome letter' to Mr H confirming brief details of the Bond – including the interest rate payable and the date of maturity.
- In a separate letter to Mr H, also dated 5 December 2022 the bank provided more comprehensive details as follows:

○ <i>Date of Deposit</i>	<i>02/12/2022</i>
○ <i>Date of Maturity</i>	<i>01/01/2024</i>
○ <i>Interest Rate (Gross)</i>	<i>1.00%</i>
○ <i>Deposit</i>	<i>£100,000.00</i>
○ <i>Interest Payable Gross</i>	<i>£1,083.01</i>
○ <i>Total Repayable</i>	<i>£101,083.01</i>
- On 23 December 2022, Santander sent another letter to K, purporting to confirm further details of the Bond. They confirmed the date of K's £100,000 deposit as being 20 December 2022, interest rate payable as 0.40% and the date of maturity which was correctly confirmed as 1 January 2024.
- Around a month before the Bond matured, on 7 December 2023, Santander wrote to K reminding it of the 1 January 2024 maturity date. Santander also confirmed a number of options open to K – including reinvestment of the proceeds into a new one-year bond at a rate of 3.6%.

The letter added:

"It's important you get in touch with us before 29 December 2023 to let us know which option you'd like to take. If we don't hear from you before 29 December 2023, we'll transfer your funds into a Business Bond Maturity Account where it will earn a rate of interest of 1.05% (variable) ... We've enclosed a maturity Option Form for you to complete. Please return this to us before 29 December 2023".

- Mr H has told us that:

- Although he received the bank's 7 December 2023 letter, there was no form enclosed with the letter for him to complete. And despite calling Santander to ask them to send him the form, it was many months later and after several subsequent phone calls that the form arrived.
- More broadly, he was unhappy about the return on the Bond after a year of investment. But when he queried the low rate of return, he was then told this was because the Bond had matured and had been transferred to a holding account which attracted a lesser return.
- Because of Santander's omission in sending him the Bond maturity form with their 7 December 2023 letter, and the delay sending him a new form when he'd asked for one, K was denied the opportunity of securing the enhanced 3.6% rate which the reinvestment in the new bond would have received. So, Mr H made a formal complaint to Santander.

Santander didn't think they'd done anything wrong. They said they did not receive instructions by way of the completed Bond maturity form they maintained they sent to Mr H in December 2023. They said the Bond was then transferred to their default rate.

Santander said Mr H was sent a fresh Bond maturity form in July 2024, but this was only returned to them later that month.

Mr H didn't agree with the bank's response to the complaint. And as it remained unresolved, he referred it to this service to look into.

Our investigator looked into the complaint and felt that Santander made an error regarding the amount of interest they paid to K at the time the Bond matured. In particular, he observed there were inconsistencies between Santander's 5 and 23 December 2022 letters to K about the interest rate payable on the Bond. So, he drew this to Santander's attention.

In their response, Santander acknowledged that:

- they had paid the incorrect interest on the Bond as the investigator had identified.
- over the term of the Bond, they had calculated interest at 0.4% when in accordance with their 5 December 2022 letter the correct rate should have been 1.00%.
- They calculated the amount by which K had been underpaid at £620.01.

Santander revised the amount to £669.81. This was after further acknowledging their earlier figure was based on an incorrect assumption that the term of the Bond commenced on 20 December 2022 rather than 2 December as their 5 December 2022 letter correctly stated.

But in relation to the second part of K's complaint regarding the bank's action in the months following the maturity of the Bond, the investigator wasn't persuaded by Mr H's testimony that in December 2023 Santander didn't send him the Bond maturity form. He said – in summary:

- In the phone conversation between Santander and Mr H on 2 January 2024 when the maturity of the Bond was discussed, Mr H told the bank that he'd received their letter about the maturity of the bond, including the maturity form which he found to be confusing.
- Available rates on reinvestment were discussed and the conversation ended with Mr H confirming he'd probably reinvest the matured proceeds.

- On the basis of the conversation, he was satisfied Mr H did receive the maturity form, and Santander were awaiting his instructions regarding future reinvestment .
- In later discussions when Mr H told the bank he did not have the bond maturity form Santander agreed to send a fresh one. But they delayed doing so, for which the bank it agreed to pay an additional sum of £150.
- But since he was satisfied the bank sent the maturity form to K in December 2023, he didn't think he could fairly say Santander were responsible for any loss of enhanced interest on the new bond as Mr H submitted.

Overall, the investigator felt that taken together, Santander's offer £150 in compensation by way of an apology for the delay already mentioned, alongside their agreement to pay the correct amount of interest K was due on the maturity of the Bond, represented a fair basis for resolving the complaint.

Mr H didn't accept the investigator's conclusions. He maintained his position that he never received the Bond maturity form on the 7th of December 2023 and was denied the opportunity of reinvesting in the new bond at the 3.6% rate Santander was offering in 2024

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.

Where the evidence is incomplete or inconclusive (as indeed some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

Everyone agrees that Santander made a mistake; the bank accepts that it paid the wrong rate of interest on the Bond. Whereas they should have paid K 1% over the term of the Bond, they paid 0.4%. Santander agreed to put things right by paying the difference between the two rates. That was the right thing to do. And I'm glad that the additional amount of £669.81 means in this connection K won't have suffered a financial loss.

I turn next to the second part of K's complaint which is that in December 2023 Santander didn't send him the Bond maturity form and so K was denied the opportunity of further reinvestment at the higher 3.6% rate. As already noted the position of the parties differ in that Santander believe they did enclose the form with their 7 December 2023 letter.

Like the investigator, I've listened to the telephone call that took place between Santander and Mr H on 2 January 2024 when Mr H rang the bank to discuss the maturity of the Bond.

I agree with the investigator's account of the nature of that conversation. He rightly summarised Mr H's comments when speaking about the 7 December 2023 letter he said:

"I received a letter from you and it asked me to fill in this form but I didn't understand the letter".

Mr H then went on to explain the nature of his confusion which related to the bank's confirmation of how much he'd deposited with it in 2022.

Responding to Mr H's account of the alleged misrepresentation of K's initial investment, the bank employee speculated Mr H might be referring to interest earned. But she further responded to Mr H as follows:

“The balance if you want to write this down and put that into the maturity form, I can give you that. It is £100,413.20”.

The discussion then turned to the rate the Bond purportedly earned over the course of the year which Mr H told the employee he didn't think was very good because on a rate of 3.6% the return should have been considerably more than the £400 he actually received.

I note that after clarifying that the 3.6% was in relation to the new bond that Santander was offering, Mr H told the employee that he'd probably re-invest.

In no part of the conversation did Mr H tell the employee he did not have the relevant maturity form. Rather the first part of the conversation noted above suggested he did have the form. Furthermore when later he was given the figure of the maturity value of the Bond with the specific purpose of it being included on the maturity form as the employee explained, reasonably, I'd have expected Mr H to challenge the employee by explaining the bank didn't enclose the form.

The bank's records show it wasn't until 24 May 2024 that Mr H contacted Santander again with concerns about the level of interest K received on the Bond. He told the employee in that conversation that he didn't receive the maturity form.

Given this evidence, and my conclusion that the bank did send Mr H the Bond maturity form with its 7 December 2023 letter, I can't fairly conclude Santander were at fault for any lost opportunity to reinvest the proceeds of the Bond between December 2023 and May 2024.

However, during the conversation on 24 May I note the bank employee offered to send a fresh maturity form to Mr H. But Santander have told us they didn't do so until 9 July 2024. I agree with the investigator that this delay was unreasonable. I'm also satisfied there were avoidable delays too when on 24 July 2024, Mr H returned the form. This was not processed until 12 August because according to Santander the employee to whom it was sent was unexpectedly away.

In the event, I note Mr H opted not to proceed with a new bond but instead to transfer the matured proceeds to a Business Savings Account. But considering the delay identified in the preceding paragraphs, I'm satisfied K was entitled to compensation by way of an apology and that £150 is fair and reasonable in the circumstances.

Putting things right

I consider that Santander should pay K the interest it was entitled to receive if they'd applied the correct interest rate when calculating the return on the Bond over the 12-month term. I consider they should also pay K £150 to apologise for their delay in sending a fresh bond maturity form.

My final decision

For the reasons set out above my decision is that I uphold this complaint. In full and final settlement of it I require Santander UK Plc to pay K:

- £669.81 representing the underpayment of interest on the Bond; and
- £150 for the delay in sending K a new bond maturity form.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 11 April 2025.

Asher Gordon
Ombudsman