

## The complaint

Mr S complains on behalf of his business, N Ltd, that Santander UK Plc suddenly and without justification restricted his access to his business account, with catastrophic results.

## What happened

N Ltd's account was restricted by Santander on 11 October 2024. Mr S said he depends on cash flow to fulfil business obligations, and the restriction brought N Ltd's operations to a standstill. Mr S said this had a catastrophic impact on business operations, terminating a pivotal £40,000 contract, derailing his growth plans for the business.

Mr S said the termination of this contract deprived N Ltd of high-margin products, causing a loss of sales of around £23,000. Mr S said he was unable to meet payment obligations during the restriction period and N Ltd's rent went unpaid for two months leading to arrears of £6,000 and the risk of loss of business premises.

Mr S said he's spent 244 hours dealing with the fallout from Santander's actions, including damage control and the use of costly alternative payment systems. Mr S said it will take years for N Ltd to recover. He said the mental and physical strain of navigating this crisis has had a profound impact on his well-being. Mr S set out the details of N Ltd's claim seeking full compensation for the damages incurred, totaling around £80,000.

Mr S complained to Santander and threatened legal action. Santander responded that the restriction was justified. It said the Terms and Conditions of N Ltd's account state: *'We can block or withdraw your cards, chequebooks or personal security details. We can also block your access to your account, including Online Banking, Mobile Banking and Telephone Banking. We may do this in the following situations, where we think it's reasonable'*. It said these situations include where information has been requested but not provided.

Following a number of calls in September 2024 Mr S still hadn't sent Santander information to meet its regulatory obligations and it gave him until the end of the month. But Santander blocked N Ltd's account on 25 September - lifting this the same day after his call. Santander then gave Mr S until 8 October, but without the information or a response to its attempted call and voicemail to Mr S on 7 October it blocked N Ltd's account on 11 October 2024.

Santander said when it received N Ltd's information on 14 October it lifted the restrictions. Santander said its actions were in line with the Terms and Conditions and it isn't responsible for any losses N Ltd may have suffered and wouldn't pay its claim. In respect of instances of poor service, Santander paid Mr S £350 compensation. Santander placed another account block on N Ltd's account on 16 December, pending a mandate form re change of ownership of N Ltd, and once it was received the block was removed on 31 December 2024.

Mr S wasn't happy with this response and referred N Ltd's complaint to our service. Our investigator didn't recommend it be upheld. He said Santander acknowledged its incorrect block on 25 September, but later blocks were in accordance with the Terms and Conditions. He said there were some service issues for which Santander's compensation was fair.

Mr S wasn't satisfied with this and requested an ombudsman review the complaint. He said we displayed a lack of competence, transparency, and accountability and the investigator had demonstrated 'blatant bias in favour of Santander' and ignored the evidence. He said he hadn't received the '£100 compensation' referred to and said he would consider legal action.

Mr S said despite Santander admitting fault on many occasions, including the incorrect account block, false advice and not notifying the restriction of the account, the investigator had downplayed these and sided with the bank. Mr S said the investigator had shown no regard for the substantial financial losses, reputational damage, and emotional distress he had clearly documented.

The investigator acknowledged Santander should have told N Ltd of the potential account blockage. But said N Ltd made some payments on 11 and 14 October 2024, and he didn't think the impact was as Mr S had claimed. He said during the three-day account block N Ltd could have used alternatives and explained the issue to creditors, who could have provided some leeway. He said it's unreasonable for N Ltd to be handed an eviction notice after one missed rent payment and it could have asked Santander to explain the situation to creditors.

Mr S responded that it was incorrect to suggest the block lasted for one day as it lasted over the weekend into active business days. He said creditors aren't charities and landlords don't wait, and the investigator misunderstood how small businesses operate and disregarded the hundreds of hours he had spent handling the chaos Santander caused.

Mr S said the investigator ignored the tone and aggression of Santander's communications. And ignored the lack of communication of his submitted files being invalid. He said the 'Know Your Customer' checks are lawful, but not a block without warning causing such disruption. He said the investigator hadn't addressed whether Santander acted reasonably.

Mr S said the investigator had ignored the fairness requirements of the Financial Conduct Authority's (FCA) Principles. And disregarded past decisions by our service 'where similar situations resulted in awards of £40,000 to £100,000+ based on lost revenue, delayed operations, and reputational damage'. He said we have previously found for customers when banks have caused unjustified harm, even while technically following internal policies.

### **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 was sorry to learn that N Ltd's business account was blocked leaving Mr S with no access to funds. He has set out in detail the extensive damage caused to N Ltd, his reputation and his personal well-being, for which he holds Santander accountable. He said it will take years for N Ltd to recover from the fallout of Santander's actions.

My role is to determine whether what took place was fair and reasonable and whether Santander followed the process correctly. In assessing this, I've taken into account the relevant rules and guidelines along with good industry practice. There are general principles from the FCA that say a bank should conduct its business with due skill, care and diligence and pay regard to the interests of its customers.

Santander said it had requested information from Mr S required to ensure compliance with its legal and regulatory obligations. It said this wasn't provided to its satisfaction and the account was restricted in accordance with the Terms and Conditions.

Santander, along with all financial institutions, has a regulatory and legal duty to carry out regular reviews and checks on business accounts. Part of these checks are required so that banks know the source of customers' funds and to ensure they know enough about their customers more generally. This is a legal requirement – failure to carry out these checks would result in severe consequences from the banks' regulator the FCA.

I can see that for this purpose Santander started a review of N Ltd and requested some detailed business information. It's clear that despite a number of requests and extensions for Mr S the information wasn't completely provided, so the review couldn't be finalised. Santander has explained that the Terms and Conditions of N Ltd's account allow it to place a block in these circumstances, and this encourages customers to meet information requirements. As the investigator has said, the block does appear to have gained a quicker response from Mr S than before.

Santander has acknowledged that it acted incorrectly to block N Ltd's account on 25 September 2024. I can see it had previously told Mr S he had until the end of September to provide the information it required and so this was a mistake. Santander removed this block the same day and the account statements show some payments were made from N Ltd's account that day. And so, I consider the impact of this incorrect block to be concerning but minimal.

Also, on 25 September Santander confirmed to Mr S the further information required and said he had until 8 October 2024 to provide it. When this wasn't received, Santander imposed a block on 11 October. Mr S said the the block lasted from Friday 11 October over the weekend into active business days until 14 October. He said there was no notice of the block or communication from Santander of the files he submitted being invalid.

I haven't seen that Santander told Mr S it would block N Ltd's account again if he didn't meet its requirements, but from the previous block and Santander saying there would be no further extensions, this must have been obvious. However, Mr S might reasonably have expected the block to apply from 8 October not 11 October, and this wouldn't have helped his planning. I'm glad to see acknowledgment by Santander of its errors around its account blocks and I hope it sees this complaint as an opportunity to review this part of their approach to communicating with customers.

Mr S said the investigator hadn't addressed whether Santander acted reasonably in its handling of the block, or the catastrophic impact on N Ltd's business. I have seen the information Mr S provided to Santander and its response is clear that the documentary evidence was for the wrong dates and periods, and it told Mr S very clearly that it couldn't accept this information. I think the blocks placed on N Ltd's account in October and December 2024 were reasonable as Santander needed to see the information that Mr S had been asked to provide, and it acted within the Terms and Conditions of the account and so I can understand why Santander doesn't think it should be responsible for any losses to N Ltd.

Having said this, I sympathise with Mr S for the interruption to his business this caused. He said payments couldn't be made, but also that he utilised expensive payment alternatives during the block. I can see that some payments were made on both 11 and 14 October, which are the only weekdays of the block and so I'm inclined to think a claim of £80,000 (including £6,000 rent arrears) would be overstating the actual impact on N Ltd. However, I think that Santander treated N Ltd fairly and reasonably and in accordance with the FCA Principles in placing the latter two blocks on N Ltd's account, and so I haven't considered the detailed claim for loss and damages Mr S has submitted.

I've considered the timeline of events and Santander's handling of the case, in respect of the service it provided N Ltd. I have mentioned the incorrect block that was immediately

removed and there was an instance of incorrect advice given to Mr S on one of the calls. One call in particular was highly contentious, but I haven't found evidence of hostility and aggression from Santander's staff in their communications about N Ltd.

I am sorry to learn that this problem has upset Mr S deeply. I agree that he has been caused frustration and inconvenience. But the complaint is on behalf of N Ltd, and as explained by the investigator, a business can't experience upset although it can be inconvenienced. I can see the disruption to N Ltd from the restriction of its account but, as I have said, I haven't seen anything to suggest that Santander acted outside the Terms and Conditions of the account or treated N Ltd unfairly in blocking the account.

Overall, I haven't seen anything in the circumstances of the complaint that warrants a higher distress and inconvenience payment than the £350 already paid to N Ltd by Santander. And so, I agree with the investigator that Santander's compensation is fair and reasonable for the impact of the instances of poor service I have described. I am pleased that Santander has offered to pay any out-of-pocket expenses incurred by N Ltd in direct connection with the instances of poor service for which it has apologised.

Santander has said with regard to the interaction with Mr S in December 2024 when a further block was applied to N Ltd's account, that it would be happy to review its service to prevent any further confusion or inconvenience. This should be the subject of a separate complaint which our service can consider.

Although we take account of our previous decisions, we investigate the merits of complaints on an individual basis, and that is what I've done here. I think it's important to explain that my decision is final. I realise that Mr S will be very disappointed by this outcome though I hope he appreciates the reasons why I have reached this decision. By rejecting this decision all options remain open to him including the legal action he has mentioned.

### **My final decision**

For the reasons I have given it is my final decision that the complaint is not upheld.

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

Andrew Fraser  
**Ombudsman**