

The complaint

Mr R complains about what happened when he asked Santander UK Plc to cash some cheques for him which were drawn on an overseas bank, and in a foreign currency.

What happened

Mr R paid three US Dollar cheques into his Santander current account – two for \$5,000 each and the other for \$1,700. The cheques were received by Santander on 2 May, 27 May and 5 June respectively, and a £10 processing fee was charged for each.

The first two cheques were credited to Mr R's account on 15 May and 5 June respectively. The third cheque was credited to Mr R's account on 17 June and the following day Mr R transferred the full amount out to another bank account. Later that day the funds for the third cheque were reversed from the account which left him overdrawn, and on 20 June 2025 Santander wrote to Mr R to say that one of the \$5,000 cheques (cheque number ending 055) had been returned as unpaid from the clearing bank as 'STOP PAYMENT'.

Mr R raised a complaint with Santander. He said he had deposited the cheque on 5 June and, seeing the funds were available, transferred the funds out on 18 June. As the cheque had now been returned as unpaid his account was overdrawn.

Santander didn't uphold the complaint. It said it hadn't made a mistake as although the funds were made available there was still the possibility of them being reversed. It said any fees were correctly charged so wouldn't be refunded.

Our investigator didn't think this complaint should be upheld. She said the terms and conditions of the account explained how foreign currency cheques would be handled and Santander hadn't done anything wrong. She said, because the cheque had been stopped, Santander could recoup the funds from Mr R.

Mr R didn't agree and so the case was passed to me to decide.

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.

It's important to understand that a cheque is actually a written request, from an account holder to their bank asking them to pay someone a sum of money. A cheque drawn in a foreign currency against an overseas bank can't be cleared through the normal UK bank clearing system. This is because the UK's system only operates in £GBP. It's also possible that the overseas bank isn't a participant in the UK's cheque clearing system. So, any clearance needs to be arranged directly with the bank the cheque is drawn on (the paying bank). This would normally involve physically sending the cheque to the paying bank who then, in return, send payment – usually electronically.

It's worth explaining the difference between the technical terms collection and negotiation. These terms are generally used when a customer needs to get the money from a cheque which came from an overseas bank and is generally in a foreign currency.

'Collection' means that the customer who put the cheque in their account only gets the money when the bank gets the money from the overseas bank. This process can take a considerable time: 6-8 weeks wouldn't be unusual. The advantage of this method is that when the customer gets the money, they know that it won't be going anywhere.

'Negotiation' means that the bank will credit the customer's account quite soon after receiving the cheque. If the bank then gets more money, or less, for that cheque, they will then adjust the customer's account. This can mean that if the cheque is stopped – as in this case – a large sum can be withdrawn from the customer's account. In the majority of cases, where someone has confidence in the cheque they've received – or the person who's given it to them – this means that the customer gets the money much quicker. And of course, most cheques don't bounce so this is how banks generally process foreign cheques.

Mr R's cheques were processed through Negotiation. Santander's process for that is the funds can generally be withdrawn by the customer on the 6th working day after the cheque was deposited with Santander. The cheque is then sent off to obtain payment from the paying bank, but if returned as unpaid then the funds would be removed from the customer's account. In using the Negotiation method for the payment of the cheque, Santander credited Mr R's account with the value of the cheque before it had received this money from the drawer's bank. This meant that the money was available for Mr R to withdraw when his request had been processed. But it did not mean that the cheque could not still be returned as unpaid.

Santander's General Terms and Conditions document, which forms part of Mr R's contract with Santander for his account, says:

'Cheques in foreign currency (or pounds sterling from a bank outside the UK)

We can't process cheques from all countries or in all foreign currencies. Check our website or ask us if you want details of the countries and currencies we accept.

If you send us a cheque we can't process, we'll tell you and return the cheque to you. If we can, we'll either collect or negotiate the cheque – we explain more below. What we do depends on the value and currency of the cheque and where the bank of the person who wrote it is.

Negotiate

This is usually the faster method for processing a foreign currency or overseas cheque and we'll use this where we can. We'll pay the money into your account after we receive it. This'll normally be within 6 working days.

Collect

We'll send the cheque to the bank it's from and ask them to pay it. We may need to use other banks to do this. We'll pay the money into your account after we receive it. This usually takes 2 - 8 weeks, but it can be more or less. This depends on the bank the cheque's from and the banks we use.

Remember

- To pay in a foreign currency cheque, you'll need to send it to us. We'll also need details of the account you want us to pay the cheque into.
- You'll need to sign the back of the cheque.

We'll convert the money we receive into pounds sterling using our exchange rate on the date we receive the money.

You'll be responsible for paying our charges and the charges of any foreign bank we use (even if the cheque bounces). We won't process a foreign currency cheque if you don't have enough money available to pay these charges. If the cheque is paid, the foreign bank will take its charges before the money is paid into your account.

If we find there has been fraud with the cheque or it bounces. The foreign bank may return the cheque or ask for the money back. If the cheque is fraudulent, this could be up to 7 years after we make the payment. If this happens, we'll take enough money from your account to cover the amount of the cheque and any charges in the foreign currency. We'll tell you the amount of the charges as soon as possible after we do this. We'll use the exchange rate which applies on the date we do this. If the cheque had been paid and the exchange rate has changed, this will be a different amount to the amount you originally received.'

From this it can be seen that whilst Santander will make the funds available, normally within six working days of it receiving the cheque from its customer (that is, from Mr R), it explained the cheque could still be returned after that time (that is, it could 'bounce') and if that happened Santander would take the funds back from its customer's account, and the £10 fee would still be charged.

Mr R has asked why he wasn't told the cheque had been stopped, but I can see from the contact notes that Santander spoke to him on 18 June (the day the cheque was returned as unpaid) and it was agreed that Mr R would call back the following day. And on 19 June the call was disconnected part way through. I've listened to the call on 19 June and it is clear in that call that Mr R had been made aware the day before that the cheque had been stopped and the funds removed from his account. A letter was also sent to Mr R on 20 June. Santander couldn't have made Mr R aware of the cheque being stopped any sooner as it, quite simply, didn't know.

We have no way of knowing why the company that sent Mr R the three cheques cancelled one of them, but we don't need to know that to fairly decide this complaint. The cheque was stopped by the company that issued it and so Santander had no way of claiming the value of the cheque. It follows that Santander couldn't let Mr R have the value of the cheque as otherwise Santander would be out of pocket to that amount, hence it needed to remove those funds from Mr R's account.

If Mr R would like further information about how Santander handle foreign currency cheques he can either speak to his local branch (although an appointment may need to be made to speak to a specialist adviser) or there is information on Santander's website¹.

Whilst I've a great deal of sympathy for the situation Mr R found himself in, that wasn't due to any error or wrongdoing on the part of Santander. It made the funds available to Mr R ahead of the cheque clearing (or not, as was the case here) in line with its usual process for foreign currency cheques and then, when the cheque was stopped so the funds couldn't be collected by Santander from the US bank, it removed the value of the cheque from Mr R's account. It is unfortunate that Mr R had just transferred the full value of the cheque to another account, but that isn't something I can hold Santander liable for.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 January 2026.

Julia Meadows
Ombudsman

¹ <https://www.santander.co.uk/personal/support/current-accounts/making-international-payments>