

The complaint

Mr S and Mrs S complain that Santander UK Plc blocked and closed their account. They are also unhappy about the amount of time it took Santander to release funds held in the account back to them. They say this caused them financial problems, stress and impacted their physical and mental health. So, they want Santander to pay them compensation.

What happened

Mr S had eight accounts with Santander. Mr S has brought complaints to our service regarding all of his accounts.

This decision will focus on Mr and Mrs S's complaint regarding their joint personal savings account. Mr S's complaints regarding his other accounts will be dealt with separately.

In June 2022, in order to comply with its legal and regulatory obligations, Santander reviewed Mr and Mrs S joint account. Whilst it completed its review Santander blocked the account – which meant Mr and Mrs S couldn't access the any of the money in the account. At the time the total balance of the account was just under £18,000.

Mr S contacted Santander on several occasions throughout June 2022, to try and find out what was happening with the account and the reasons behind the bank's actions. Santander didn't provide Mr S with much information and said it hadn't done anything wrong and had acted in line with the terms of the account and relevant regulations.

Following its review, on 14 July 2022 Santander decided to close the account immediately. Santander wrote to Mr S to tell him he'd need to make alternative banking arrangements and issued cheques for the closing balance. However, on 21 July 2022, Mr S contacted Santander and asked for the cheque to be cancelled and the balance to be transferred to another account. Santander followed Mr S's instructions and released the balance on 28 July 2022.

Mr S complained to Santander. He said that the blocks on the account had made life very difficult for him and his wife. And had interfered with his ability to run his businesses. He said he had provided information to the bank about how he operated his accounts previously so he could see no reason why his accounts had been frozen. Mr S said that the bank had taken too long to complete its review and release the funds in his accounts.

In response, Santander said it hadn't done anything wrong when it had blocked and reviewed Mr and Mrs S's account. It said it had done so in order to comply with its legal and regulatory obligations. Santander also said that it had closed the account in line with the terms and condition. The bank explained that it hadn't caused any delays in releasing the balance of Mr and Mrs S's account and had to complete several administrative processes before it could do so. It said it had completed this process as quickly as possible after Mr S had asked for the cheques it had issued to be cancelled.

Mr S wasn't happy with the bank's response and brought his complaint to this service. Mr S explained that the restrictions on his accounts and waiting for the balances to be released had taken a toll on his mental health and caused financial problems. He said Mrs S health condition was also made worse as a result of the stress of the situation. And said he wasn't able to secure a new mortgage deal, and the estimate of building works he had scheduled at his home soared with the costs coming to an extra £90,000.

Mr S said he was forced to borrow money from family and friends to get by, and his bills went unpaid. So, he said Santander should pay him and Mrs S compensation for the financial losses, trouble and upset caused by Santander blocking and closing the account. And holding onto his money for too long.

One of our investigators reviewed the complaint. She thought Santander hadn't done anything wrong when it blocked and closed Mr and Mrs S's account. She said Santander had acted in line with their legal and regulatory obligations. And hadn't done anything wrong when it had decided to close Mr and Mrs S's account. However, she said Santander took too long to complete its review and could've done things much quicker. So, she said Santander should pay Mr and Mrs S interest for loss of use of his funds between 5 and 14 July 2022.

Santander disagreed. It said it had been complying with its legal and regulatory obligations when it had blocked and reviewed Mr and Mrs S account. And hadn't caused any delays. Mr S also disagreed. He provided evidence that as a result of the account being frozen, he has suffered large financial losses. He has said he missed out on a low interest rate when applying for a mortgage to acquire further properties, which means he will now have to make additional payments on a high interest rate of around £190,000. Mr S has also said that he had building work rescheduled which had to be stopped, the costs of these soared and is now around £90,000 higher.

Mr S said that his two business suffered financial losses and his Mrs S's health conditions deteriorated due to stress caused by the bank's actions. So, overall, he wants substantial compensation.

As no agreement could be reached the complaint has come to me to decide. After looking at all the evidence and circumstances of the complaint I came to a different conclusion to the investigator. I issued a provisional decision setting out my reasons which said the following.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether Santander has treated Mr and Mrs S fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

It's clear from what Mr S has told us and the bank that he feels very strongly about his complaint. And I'm very sorry to hear that Mrs S has been unwell. But having reviewed all the available evidence I've reached a different conclusion to the investigator.

As the investigator has already explained, Santander has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customer, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other financial harm.

Santander will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review - doing so helps prevent potential financial loss or other harm that could otherwise result. And that is what happened here. I've considered the basis for Santander's review, which I find was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied Santander acted fairly by blocking Mr and Mrs S's account and had no obligation to tell him the basis of its concern or forewarn him of its intention. So, whilst I accept, the bank's actions caused Mr and Mrs S a good deal of inconvenience and upset I can't say Santander have done anything wrong when it decided to review and block their account.

I understand that Mr S wants Santander to explain the reason it applied the block to the account in the first place. And I can see that Mr S asked Santander to explain itself on several occasions. But Santander doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr S the reasons behind the account review and block, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr S this information. And it wouldn't be appropriate for me to require it to do so.

While Santander are entitled to carry out a review, we'd expect them to do so in a timely manner and without undue delay. I recognise the overall time Santander took to complete its review and release Mr and Mrs S's funds was just under two months. But I do not consider that it would be right for me to conclude it should not have taken in excess of any particular or specific timeframe. Because the bank was entitled – as a matter of principle – to do what it did. I'm also satisfied from looking at the available information that Santander had been proactive in completing its review from the time it blocked Mr and Mrs S's account. So, I can't say Santander has treated them unfairly in taking the time it did to complete its review.

I can see that when Santander closed the account it sent Mr and Mrs S a cheque for the closing balances on 14 July 2022. However, Mr S asked for these to be cancelled and the balances transferred to another account he held. This was completed on 28 July 2022. Mr S has argued that this was far too long and had a severe impact on him and Mrs S financially and mentally. So, I've looked at what was happening that might explain why it took as long as it did for Santander to return Mr and Mrs S's funds to them.

Having done so, I can see that Santander were completing administrative processes in order to comply with its legal and regulatory obligations so that it could release the account balance. Santander has rightly pointed out that this was a process that had to be completed – if it didn't do so the bank could face serious penalties. I've also kept in mind that Santander, had sent Mr and Mrs S a cheque when it closed the account, but Mr S didn't want this. So, Santander had to go through its processes again in order to transfer Mr and Mrs S's fund to them. I don't think it would be fair to hold Santander responsible for Mr S's decision, which contributed to the delay in Mr S receiving the funds. Having looked at all the circumstances, I'm also not satisfied that Santander have done anything wrong in taking the time it did to release the money in the account, so I won't asking them to do anything to resolve this aspect of Mr and Mrs S's complaint.

I'll next deal with Santander's decision to close the account. Sometimes following a review, a bank will decide to close an account. Santander is entitled to close an account with Mr and Mrs S just as they are entitled to close their account with Santander. It's generally for banks and financial businesses to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. But before Santander closes an account, they must do so in way which is fair and complies with the terms and conditions of the account. I've looked at the terms and conditions and they state that Santander could close Mr and Mrs S's account by giving at least two months' notice. And in certain circumstances it could close the accounts immediately.

In this case Mr and Mrs S weren't able to use their account after Santander blocked it, so I consider Santander closed the account immediately. Since Mr and Mrs S weren't able to use the account following the block. For Santander to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, I'm satisfied that Santander did. So, it was entitled to close the account as it's already done.

I've then gone on to consider whether the bank's reasons for closing the account was fair. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Santander has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr and Mrs S due to its commercial sensitivity. But I've seen nothing to suggest Santander's decision around closing the account was unfair.

In summary, it's clearly caused Mr and Mrs S trouble and upset when Santander blocked and closed their account. And I appreciate it must have been a worrying and frustrating time for them. So, I realise they will be disappointed by my provisional decision. But having looked at all the evidence and circumstances of this complaint, I don't intend to uphold Mr and Mrs S's complaint.

Santander accepted my provisional decision. Mr S asked for more time to provide his response, which the investigator told him he could have. However, he didn't provide any further comments or evidence.

Now both sides have had an opportunity to comment I can go ahead and issue my 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.

As neither party has provided anything new for me to consider, I see no reason to depart from my provisional findings. I remain of the view that this complaint should not be upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision.

My final decision

For the reasons I've explained, my final decision, is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 10 April 2024.

Sharon Kerrison
Ombudsman