

The complaint

L, a limited company complains that Santander UK Plc unfairly blocked and closed its accounts. L is also unhappy that Santander took too long to release funds held in its accounts, which led to loss of business and inconvenience.

L's complaint has been brought to our service by its director, Mr P.

What happened

L had two accounts with Santander – a business current account and a business savings account.

In early June 2023, Mr P authorised Santander to make a payment of just over £320,000 from L's savings account. Mr P has explained that this was to fund a property investment.

Following this, on 9 June 2023, in order to comply with its legal and regulatory obligations, Santander reviewed L's accounts. Whilst it completed its review Santander blocked the accounts – which meant Mr P couldn't access any of the money in them. At the time the total balance of the accounts was over £300,000.

Mr P has explained that that not being able to access the funds in L's accounts made running the business impossible and meant he couldn't pay for everyday living expenses.

Mr P contacted Santander on several occasions throughout June 2023, to try and find out what was happening with L's accounts and the reasons behind the bank's actions. Santander didn't provide Mr P 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, in August 2023, Santander decided to close L's accounts immediately. Santander wrote to Mr P to tell him he'd need to make alternative banking arrangements and issued cheques for the closing balances of L's accounts. However, Mr P wasn't able to cash the cheques until September 2023, when he returned from an extended family holiday.

Mr P complained to Santander. He said that the blocks on L's accounts had made life very difficult for him to run his business. 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 P said that the bank had taken too long to complete its review and release the funds in L's accounts.

In response, Santander said it hadn't done anything wrong when it had blocked and reviewed L's accounts. It said it had done so in order to comply with its legal and regulatory obligations. Santander also said that it had closed the accounts in line with the terms and conditions. The bank also explained that it hadn't caused any delays in releasing the balances of L's accounts back to Mr P.

Mr P wasn't happy with the bank's response and brought his complaint to this service. Mr P explained that the restrictions on L's accounts and waiting for the balances to be released had caused financial problems for his business and damaged its reputation. Mr P 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 L compensation for the financial losses and inconvenience caused by Santander blocking and closing L's accounts. And holding onto L's money for too long.

One of our investigators reviewed the complaint. She thought Santander hadn't done anything wrong when it blocked L's accounts. She said Santander had acted in line with their legal and regulatory obligations. However, she said Santander took too long to complete its review and could've done things much quicker. She also said that Santander should have given L more notice when it had decided to close its accounts. So, she said Santander should pay L interest for loss of use of its funds in its accounts, along with £150 compensation for the inconvenience.

Santander disagreed. It said it had been complying with its legal and regulatory obligations when it had blocked and reviewed L's accounts. It also said it hadn't caused any delays in releasing L's account balances.

Mr P also disagreed. He said that the amount of compensation doesn't adequately reflect the inconvenience L suffered. He provided evidence that as a result of L's accounts being frozen, he had to borrow money to pay for everyday living expenses and fund the costs of his family holiday, which had been booked before L's account had been blocked. He also said he had to instruct lawyers to get the bank to release L's money, so he wants his legal costs refunded.

As no agreement could be reached the complaint came to me to decide. After considering all the evidence and circumstances I came to a different conclusion to the investigator. I set these out in a provisional decision 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 I fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

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 customers, 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.

Having reviewed all the evidence, including the information Santander provided in response to the investigator's view, I'm satisfied that Santander were acting in line with its legal and regulatory obligations when it restricted L's accounts in June 2023. I understand not having

access to L's account caused L and Mr P inconvenience, but it wouldn't be appropriate for me to award L compensation since I don't believe Santander acted inappropriately in taking the actions that it did when it blocked and reviewed L's accounts.

I've also 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 L's accounts and had no obligation to tell Mr P the basis of its concern or forewarn him of its intention. So, whilst I accept, the bank's actions caused L a good deal of inconvenience I can't say Santander have done anything wrong when it decided to review and block L's accounts.

I understand that Mr P wants Santander to explain the reason it applied the block to L's accounts in the first place. And I can see that Mr P 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 P 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 P 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 L'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 were proactive in completing its review from the time it blocked L's accounts. So, I can't say Santander has treated L unfairly in taking the time it did to complete its review.

I can see that when Santander closed L's accounts it sent Mr P cheques for the closing balances in August 2023. However, Mr P wasn't able to cash the cheques until September 2023, due to being overseas on holiday. Mr P has argued that this was far too long and had a severe impact on L financially. So, I've looked at what was happening that might explain why it took as long as it did for Santander to return L's funds to Mr P.

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 L's balances. And 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 P cheques when it closed L's accounts, but Mr P was overseas so couldn't cash them for around another month. I don't think it would be fair to hold Santander responsible for Mr P being unable to cash these cheques, which contributed to the delay in Mr P receiving his funds. Having looked at all the circumstances, I'm not satisfied that Santander have done anything wrong in taking the time it did to release L's money, so I won't asking them to do anything to resolve this aspect of Mr P's complaint.

I'll next deal with Santander's decision to close L's accounts. Sometimes following a review, a bank will decide to close an account. Santander is entitled to close an account with L just as L is entitled to close its 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 L's accounts by giving at least two months' notice. And in certain circumstances it could close the accounts immediately.

In this case Mr P wasn't able to use L's accounts after Santander blocked them. So, I consider Santander closed L's accounts immediately since Mr P wasn't able to use the accounts 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 accounts as it's already done.

I've then gone on to consider whether the bank's reasons for closing the accounts 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 P due to its commercial sensitivity. But I've seen nothing to suggest Santander's decision around closing L's accounts was unfair.

In summary, it's clearly caused L inconvenience when Santander blocked and closed its accounts. And I appreciate it must have been a worrying and frustrating time for Mr P. So, I realise Mr P 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 L's complaint.

Santander didn't respond to my provisional decision.

Mr P didn't accept my provisional decision. In summary he said Santander has treated him appallingly and that he should be given the information the bank has relied on to close L's accounts.

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 L to accept or reject my decision before 19 June 2024.

Sharon Kerrison
Ombudsman

