

The complaint

Mr R and Ms L complain that Santander UK Plc froze their joint accounts even though Mr R had answered Santander's questions. I've just referred to Mr R here as Ms L is his ex-wife and although formerly named on the bank accounts, is not involved with them.

What happened

I set out the background to the complaint and my provisional findings in my provisional decision, and here.

In 2022 Mr R said Santander called to say it required information about his current and savings accounts and if it didn't receive this it would freeze them. Mr R said he answered the questions and was told this was resolved. In November 2022 Mr R said Santander asked him for the same information and he provided it again. He said Santander told him notes had been put on the account to show the queries were resolved. Mr R said later in November he was out of the country and found he couldn't access his accounts as they had been frozen.

Mr R said he called Santander and answered its questions again, but Santander asked for documents, which he couldn't provide as he was abroad. He said Santander told him his accounts would remain frozen, and so he had no access to money and his direct debits were blocked. Mr R said Santander contacted his ex-wife, who at one time had been a joint account holder, despite confirming that previous requests to have her name removed had been actioned. He said that for the previous 12 years he was the only user of the account.

Mr R said his ex-wife phoned Santander three times to try and sort the problem out and was asked questions of which she had no knowledge. He said when he returned home he found letters from Santander about its intended actions, but they had been delivered after the final date for which a response was required. He said he'd agreed to paperless communications and didn't understand why it hadn't emailed him. Mr R said he called Santander and waited 90 minutes and later waited another hour on a call and answered the same questions again.

Mr R complained to Santander and said it unfroze his accounts just before Christmas 2022 and then froze it again without any explanation and his accounts remains frozen. He said its agents had been rude and unhelpful.

Santander said it made no mistake as it was following its legal and regulatory obligation to ensure it holds up to date and accurate know your customer (KYC) information, or where it needs to establish a source of funds or there's been a change of activity on the account. And so at times it contacts its customers to ask for information in support of this obligation.

Mr R wasn't satisfied with Santander's response and referred his complaint to our service. He said he would like an apology and for the trauma he was put through and compensation.

Our investigator recommended the complaint be upheld. He said Santander was entitled to pursue information to meet its KYC requirements but could've been clearer. He said Santander hasn't disputed call wait times and should apologise and pay £200 compensation.

Santander removed Ms L from the accounts in April 2023 and agreed to pay compensation. But Mr R didn't think £200 was adequate for the anguish and hardship he suffered and his ruined holiday, the inconvenience and the penalties incurred due to the blocked direct debits and the effect on his credit rating. Mr R requested an ombudsman review his complaint.

Santander put a number of enquiries to Mr R under its KYC requirements. Mr R thought he'd provided the required information and was told its enquiries were closed, only to discover that his accounts were frozen. I can well understand Mr R's distress and inconvenience whilst abroad, that he had no access to his bank account.

Mr R was aware from his statements that Ms L was still on the account. Santander needs a form to be completed by both parties to remove someone's name and they need to attend a branch with photo ID. Ms L said she was aware of this requirement but couldn't attend as she lives in a country where there are no Santander branches. I'm pleased she has written to Santander with the required documents and is no longer named on the account.

Santander said Mr R's accounts were frozen because its regulatory requirements weren't met. Mr R said he spoke to Santander many times in late 2022 and was given to understand its enquiries had all been resolved. I've looked carefully at Santander's record of communications with Mr R and Ms L to see what happened.

Santander wrote to Mr R requesting information about Ms L and other enquiries and said he must provide this information, or it would freeze his account. There were calls with Mr R in September, October and November 2022. In September he was taken through a detailed questionnaire and asked to provide various identity, financial and landlord documents. At this point Mr R was aware he had to submit these documents to maintain his account.

In October 2022 Mr R called Santander and it confirmed it had his documents, and he was given to understand its enquiries were satisfied and a note to this effect would be made. Mr R was sceptical about this and said he'd moved most of his money out of the account as a precaution. Mr R was right to be sceptical as his account was frozen shortly afterwards. He called Santander on 19 October and said he'd been left without money, and after providing more information was told his account was unfrozen. However, Santander wrote to Mr R on 18 November 2022, while he was abroad, with notice of the freezing of his accounts.

Santander's records show that on 19 December 2022 Mr R called and the case was completed. Its KYC team confirmed 'all info required now been updated – block removed'. Santander acknowledged that Mr R was set to receive paperless communications, but explained that its KYC team communicate by phone and letter and had tried to call Mr R 'on several occasions'. We think it's right that banks send regulatory communications by post.

Having listened to all of the call recordings, I haven't found that Santander's staff were rude or hung up on Mr R. However, Mr R was kept waiting for long periods and somewhat 'pushed around the system'. The investigator thought that £200 compensation was about right for this. In my view it was more significant that Mr R was assured on two occasions that he had met Santander's KYC requirements and was entitled to think his accounts wouldn't be frozen again. When this happened he was in a vulnerable position as he couldn't resolve matters and I can see that this caused him a high degree of distress and inconvenience. Looking at the service Santander provided overall I think it should pay a total of £400 compensation for the unfair treatment and poor service Mr R and Ms L received.

I'm uncertain of the financial impact on Mr R as he had previously removed funds from his account as a precaution and hasn't provided any evidence of an adverse impact on his credit rating. Santander has said that it hasn't made any adverse report about him to any credit reference agency and none of its checks should have affected his credit rating.

Mr R said Santander told firms trying to access payment from his account by direct debit that there were insufficient funds, whilst preventing payment. I hadn't seen any evidence of this, and he hadn't provided anything to show he suffered a penalty for missing his direct debits. But if he provides information in response to this provisional decision I will consider it.

Earlier this month, Mr R said that Santander was still restricting access to his accounts. It is open to Mr R to bring a further complaint about this and any events that took place in 2023 following on from Santander's final response to the present complaint.

My provisional decision

I said that I intended to uphold the complaint and require Santander UK Plc to pay Mr R and Ms L a total of £400 compensation for the distress and inconvenience they were caused by Santander's poor service.

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.

In response to my provisional decision, Santander agreed to the increased compensation of £400. Mr R appreciated our assistance towards his complaint and had a couple of additional points to make about what I had said.

Mr R said he found it unacceptable that Santander continued to accept payments into his account but blocked his access to these funds, which he relied upon for his living expenses. He said that not having access meant he had to resort to his savings.

Mr R said, concerning any detriment suffered due to the blocking of his direct debits, that at all times there were sufficient funds in the account for his long-standing direct debits, but Santander told those seeking payment that there were insufficient funds in the account.

He provided examples of organisations seeking payment that were wrongly informed of there being insufficient funds available when, in fact, payments were not being made because Santander had frozen the account and were choosing not to honour the payments.

I'm grateful to Mr R for clarifying the position his bank account was left in when it was frozen. And for the screen shots of messages from organizations about the failure of his payments. Some of these messages state there wasn't enough funds in his account for the payment, others just that there's an issue with his payment. They come from organizations that may summarise non-payment in that way as opposed to Santander. Whilst these messages are unwelcome to an account holder they may not be any worse than a message that says the account has been frozen.

I agree with Mr R that it was unacceptable of Santander to have acted as it did towards his account, and I can see why he felt aggrieved that payments were allowed into his account whilst his access to funds was blocked.

I have thought again about what happened to Mr R in the freezing of his account and the contradictory communications about this, and the points and information Mr R provided in response to my provisional decision. Having done so, I remain of the view that Mr R was wrongly assured on two occasions that he had met Santander's KYC requirements and so he was entitled to think his accounts wouldn't be frozen again. I also remain of the view that Mr R was put in a vulnerable position by Santander as he couldn't resolve matters whilst abroad and this caused a high degree of distress and inconvenience.

Putting things right

I still think that Santander should pay a total of £400 compensation for the adverse impact that its unfair treatment and poor service caused to Mr R and Ms L.

My final decision

For the reasons I have given the complaint is upheld. I require Santander UK Plc to pay Mr R and Ms L a total of £400 compensation for the distress and inconvenience they were caused by Santander's poor service.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L and Mr R to accept or reject my decision before 12 October 2023.

Andrew Fraser
Ombudsman