

## **The complaint**

L a company complains that Santander UK Plc blocked and closed its business account without notice or explanation. L couldn't access funds which led to financial hardship.

L is represented by its director Mr S.

## **What happened**

L had a business account with Santander. On 21 June 2022 L's account was blocked by Santander. L had over £50,000 in the account.

Mr S has said that because of not being able to access the funds in the account L wasn't able to pay staff and business overheads. Mr S says he had to take out multiple personal loans to cover these costs.

Following the review of L's account Santander decided to close L's account with immediate effect on 4 August 2022. Santander sent the notice to close letter and enclosed a cheque for the balance of the account.

L complained to Santander. He was unhappy with their response, so he complained to our service. One of the investigators looked at the complaint. She said she didn't think Santander had acted unfairly when it blocked and closed L's account. She also looked at whether Santander had caused any delays but, on the evidence, she didn't think they had. She accepted Mr S had taken out personal loans to cover L's liabilities for business expenses and staff salaries but as Santander had acted fairly, she wouldn't be awarding compensation.

Mr S was unhappy with the view he said he couldn't see what term L had breached.

As there was no agreement the matter has come 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.

I'll start by setting out some context for the review of L's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied Santander were complying with these obligations when they reviewed L's account.

Financial businesses, like Santander, are subject to a number of legal and regulatory requirements. These mean they have to monitor their customers' accounts and may need to review an account at any time. While that is happening, they may need to block or restrict any payments.

I can see that in blocking the account the bank were following an internal process which they carried out in order to comply with their legal and regulatory obligations. This was a legitimate exercise so I can't say Santander was unfair.

Santander then sent L notice to close the account.

As the investigator explained it's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a 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.

I've considered whether Santander acted fairly in closing L's account. I've looked at the terms and conditions of L's account and I'm satisfied they did. The terms and conditions outline that the bank can close a customer's account with two months' notice, and in certain circumstances they can close an account immediately. In this case Santander closed L's account without notice. 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 I'm satisfied that the bank has applied the terms fairly. And it was entitled to close the accounts as it's already done.

I've considered whether Santander caused delays in the review of L's account, I've looked at the timeline and can see that Santander didn't cause any unnecessary delays and were trying to complete its enquiries as quickly as possible. I appreciate that Santander's actions caused L real inconvenience. It wouldn't, however, be appropriate to make an award for compensation for that, since I don't believe that Santander acted inappropriately in taking the actions that it did.

Mr S has said he wants to know the reason why Santander blocked and later closed L's account. Especially as he doesn't think L has done anything wrong or breached any term. 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 block or closure, 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.

Mr S has told us that he incurred financial losses as did L as a result of the block on the account.

I have already said that I think Santander acted fairly when they blocked and later closed L's account. It follows that even though I accept this made L's trading very difficult because Santander didn't make an error, I won't be asking them to compensate L.

Mr S has said he had to take out loans which he guaranteed himself. I appreciate that as an officer of the company he was doing everything he could to keep the company trading. But I should add that I can't make an award for the distress Mr S experienced here. Santander's customer is L, not Mr S. Because L is a limited company, it cannot feel distress. And our service can't award compensation for distress experienced by Santander's customer's directors or employees personally.

### **My final decision**

For the reasons stated above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or

reject my decision before 13 October 2023.

Esperanza Fuentes  
**Ombudsman**