

The complaint

F, a limited company, complain that Santander UK Plc unfairly closed their accounts and called in a loan. They'd like to be compensated for financial loss to the business.

What happened

F is represented by its directors, but for ease of reading I'll only refer to F.

In May 2020 F received a bounce back loan (BBL) from Santander, with repayments expected to start in June 2021.

In April 2021 Santander blocked F's accounts, preventing access to the funds in the account. They later wrote to F to say the accounts had been closed with immediate effect, and to ask for further information on F's eligibility for the BBL. F provided further information to Santander but weren't able to access the funds in the account.

F complained to Santander. They responded to say they didn't feel they'd done anything wrong – saying they had the right to withdraw banking facilities, as described in the terms of the account. They also said the BBL was granted based on information provided at the time, but they can look at applications retrospectively and ask for further information. But they also confirmed what remained of F's funds had now been returned.

Unhappy with this answer, F complained further that they hadn't been given a reason for the account closure, and the closure had led to significant losses. Santander responded to say their decision remain unchanged and directed F to the terms of their account for the reasons they can close their accounts immediately. They offered no further explanation.

F then referred their complaint to our service, also highlighting they'd been charged account fees after the account has been closed. One of our investigators looked into what happened. They sent several opinions to both Santander and F, but the most recent one said in summary:

- Santander's blocking and closing of the account was reasonable, and in line with the terms of F's account
- They felt Santander could have asked F more questions about the BBL before deciding to call it in. But they didn't feel the decision itself was unfair, as Santander had sufficient grounds to do so.
- Full repayment of the loan wasn't requested until March 2023, which meant F had benefited from only making monthly payments between June 2022 and then.
- Santander had retained F's funds for about a month longer than necessary, which they felt was unfair.
- The account charges shouldn't have been applied, but they had already been refunded by Santander so there was nothing further to do.

To resolve the complaint, they suggested Santander pay 8% simple interest on the held funds for the time taken longer than necessary. They also suggested Santander pay F £200 compensation.

Both Santander and F rejected this. F said this didn't reflect the full time they were without the funds in their account, and the loss of business and reputation this covered. They said they'd used the BBL for business expenses and had sent the documents to show this. They felt it was unjust and unreasonable to ask them to repay the BBL in full.

As no agreement was reached, the complaint was passed to me to decide. After review issued a provisional decision which said:

Account block and closure

The Financial Ombudsman Service can look at a wide variety of complaints about financial goods and services. But we don't have a free hand to look at every single complaint referred to us. There are rules set out in the Financial Conduct Authority (FCA) handbook – these are the dispute resolution, or DISP rules.

One of the key rules is that for us to consider a complaint it needs to be brought by an eligible complainant. The relevant rule is DISP 2.7.3R, which lists the type of eligible complainants. And F meets the criteria as a "micro-enterprise".

But, there are exceptions – DISP 2.7.9R explains these. I've highlighted the relevant sections here.

The following are not eligible complainants:

*(1) (in all jurisdictions) a firm, **payment service provider**, electronic money issuer, CBTL firm, designated credit reference agency, designated finance platform or VJ participant whose complaint relates **in any way** to an activity which:*

(a) the firm itself has permission to carry on; or

*(ab) the firm, payment service provider, electronic money issuer, CBTL firm, designated credit reference agency or designated finance platform itself is **entitled** to carry on under the Payment Services Regulations, the Electronic Money Regulations, the MCD Order, the Small and Medium Sized Business (Credit Information) Regulations or the Small and Medium Sized Business (Finance Platforms) Regulations; or*

(b) the VJ participant itself conducts;

and which is subject to the Compulsory Jurisdiction or the Voluntary Jurisdiction

I've also noted that F itself is registered with the FCA as a small payment institution and has been so since 2018. This means it is included in the definition of "payment service provider" above.

This means F cannot be an eligible complainant about any activity it could potentially carry out as a payment service provider – there's no requirement for them to be actively carrying out this activity at the time, just that they are permitted to do so. DISP 2.7.9R is quite broad here. And at the heart of it, any complaint about blocks to a bank account or the closure of the account is about the removal of payment services – the ability to transact on the account.

Ultimately then F is trying to bring a complaint to our service that relates to activities they are allowed to carry out by the FCA. As such, I'm satisfied that DISP 2.7.9R means they are not

eligible complainants, and I cannot consider their complaint points about the account block or closure. It falls outside of our jurisdiction to consider – I have no legal power to make any findings on these points.

BBL loan

I can however consider a complaint about Santander's decision to call in the BBL. Lending money is not an activity F are permitted to do, and as such isn't excluded under DISP 2.7.9R.

At the time F applied for the BBL, applicants were required to declare that they met the eligibility criteria. Santander have provided a copy of F's application details, and it doesn't appear that F provided any details on the intended purpose of the loan at the time. The application also states the turnover of the business in 2019 as just over £25,000.

Although the loan was approved and drawn down, it's not unreasonable for Santander to review the lending decision later. This is in line with their obligations under the BBL scheme. I don't see that it was unreasonable for them to ask F to provide further information about the purpose of the loan.

I've read the request Santander sent in May 2021, and I can see that they asked F about the nature of their business – saying according to their systems the business traded in catering, but the day-to-day running of the account doesn't suggest this. F has disputed that they were specifically catering, saying they engaged in cleaning services, financial intermediation services (which ties in with being registered with the FCA) and other business support services. The documents from the account opening do say F would be working in catering. Although I can also see that F submitted updated KYC documents saying they provided "cleaning, events services and financial intermediary services." From this, it's not unreasonable for Santander to have concerns about the nature of the business.

This request also outlines that the funds from the BBL shouldn't be used for personal or third party benefit and asks for further information on how the pandemic has affected their business, and what the funds were spent on. The request says that if it's determined F wasn't eligible for the loan, or any information on the application was incorrect, then it may begin recovery of the loan. There was also the option if, on reflection, the loan wasn't needed then they can discuss this further with Santander.

Having reviewed the response to this by F, and further information sent to our service since then, I'm not satisfied F has demonstrated their entitlement to the loan. The response from F isn't specific in what the funds were used for, or the way in which their business had been impacted by the pandemic. There is an argument that Santander could have been more specific in their questions, or followed up to ask further information from F. But it's also clear the information supplied by F wasn't sufficient to demonstrate their entitlement to the BBL.

I've reviewed the account statements for F's account with Santander, and I can see the turnover on the accounts was considerably higher than reported on the application. So, I can see why Santander may be concerned about the accuracy of the information provided.

Overall, I'm not minded that it was unreasonable for Santander to call the loan in – as per the terms of the BBL agreement. I understand they allowed F to make regular monthly repayments from June 2021 until March 2023 – which was of benefit to F. That they've now asked for full repayment which isn't in itself unreasonable. Likewise, employing a third-party debt collection agency to collect the debt isn't unreasonable – it's a relatively common industry practice, and there is provision for the sharing of information to allow this in the terms of the BBL agreement. As such, I'm not asking Santander to do anything further here.

Account charges

F has also complained about being charged for their account after it was closed. I agree this is unreasonable, but I can also see Santander have refunded all the charges already. This is reasonable, and so I do not see they need to do anything further.

Neither F nor Santander responded to my provisional decision before the deadline. As such it now falls on me to 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.

In the absence of any new comments or evidence from either party, I remain satisfied with the conclusions reached in the provisional decision.

Our service does not have the power to consider a complaint from F about the closure of their account, as this is related to activities that the FCA permits them to carry out.

I remain satisfied that it was reasonable for Santander to call in the BBL, for the reasons given in the provisional decision. And I'm also in agreement with F that it was unfair for Santander to charge them for an account that was closed. But as these charges have already been refunded, I don't see that Santander need to do anything further.

My final decision

My final decision is that we do not have the legal power to consider F's complaint points about payments services.

For the complaint points about the BBL and account charges, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 9 November 2023.

Thom Bennett
Ombudsman