

The complaint

Miss K complains Santander UK Plc gave her wrong information about being able to return a payment that had been sent to her bank account.

What happened

I issued my provisional findings to both parties on 21 November 2023 setting out why I thought Miss K's complaint should be upheld in part and invited both parties to provide any further submissions in reply to my provisional decision by 5 December 2023.

The background to this complaint was set out in my provisional decision together with my provisional findings. The background and my provisional findings are copied below and now form part of this final decision.

Background

Miss K had made a successful insurance claim and an instalment of the claim payment was made into her current account (Account 1) with Santander. The payment was for £2,800 and it was paid into Account 1 on 25 January 2023.

At the time, Account 1 was in arrears of £1,745.84 so the claim payment cleared the arrears, leaving a positive balance of £1,054.16.

Miss K was unhappy the claim payment had been used to clear the arrears on Account 1 as the £2,800 was money needed to make repairs to her property. Miss K wanted the funds to be returned to the insurer.

There were exchanges between Miss K and Santander on 25 January 2023. The outcome of these exchanges was that a Santander agent told Miss K on the phone that Santander would return the payment to the sender and it would take around 7 days. The agent told Miss K she would then need to contact the sender and give them the correct bank details she wanted the payment to be made to.

Miss K called Santander on 31 January 2023 as she had not heard anything and a complaint was raised.

Santander concluded Miss K had been given wrong information by their agent on 25 January 2023 as returning the funds as they had described to Miss K was not a process which was available. The option to Miss K would have been to either return the funds herself by transferring them from her account, or asking the sender to recall the funds – a process that could take up to 20 business days.

Miss K's insurer confirmed they have 24 hours to recall their payments after they have been released.

By the time Santander's error came to light, 24 hours had passed since the payment was made so it was not possible for Miss K to ask her insurer to recall the payment. I understand

Miss K was also prevented from being able to return the payment herself as she did not have the available funds in the account given her overdraft had been removed.

Miss K's overdraft had been removed on 1 August 2022.

Our Investigator considered Miss K's complaint and said Santander should pay Miss K £200 for having given her wrong information about their process on 25 January 2023. However, the Investigator did not think Santander should do anything further.

Santander accepted the Investigator's findings, but Miss K did not. Miss K said she had relied on what Santander had told her so she did not contact her insurer to recall the payment. Miss K says that she has lost £1,745.84 because the insurer's payment cleared the overdraft. Miss K is seeking the return of £1,745.84 to resolve this matter.

As a resolution could not be reached the matter has come to me to decide.

Provisional findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Santander have accepted that they gave Miss K wrong information about their processes and therefore what they offered to do for Miss K was not possible.

As Santander have accepted they've done something wrong here, what is left for me to consider is what is a fair and reasonable way to put this right as far as it is reasonably possible to do so.

Miss K says that but for Santander's wrong information she would have approached her insurer to recall the payment and therefore she would have had the full claim payment funds available to her.

Having reviewed the available submissions I think it is more likely than not that Miss K would have approached her insurer to do this if she'd been given correct information by Santander.

Miss K had spoken with Santander on the same day as the payment into Account 1 had been made, so she would have been able to contact her insurer within the 24-hour window to ask them to recall the payment. Miss K has also been consistent in saying that she wished that payment to be returned to her insurer. So I think it's fair to say Miss K more likely than not would have tried to get the funds back to her insurer.

At this time neither party have been able to confirm if recalling the funds would have been successful. This is something Miss K's insurer would have had to request on time, and Santander would have had to agree to releasing the funds when Miss K did not have the full funds available in her account.

However, having reviewed all the submissions I do not need to decide this as I do not believe Miss K is worse off because of Santander's error and I'll explain why.

To begin with I do not agree that Miss K should simply have £1,745.84 returned to her as she has asked. To be clear, the funds in question cleared Miss K's overdraft and this was money Miss K owed to Santander. So I do not think it would be fair that Miss K should have these funds returned to her and her overdraft cleared.

At the time of these events Miss K had two different types of Santander current accounts –

Account 1 (into which the claim payment in question was made) and Account 2. As part of the submissions I have reviewed the payments made in and out of Account 1 and Account 2.

I've seen the £2,800 payment made by Miss K's insurer go into Account 1 on 25 January 2023. I have also seen that a payment for £2,986.19 from Miss K's insurer was paid into Account 2 on 31 January 2023 (the same reference is used for both payments suggesting they relate to the same insurance claim). The payment into Account 2 increased the balance on Account 2 to £24,845.07.

While I do not know whether Miss K's insurer would have successfully recalled the funds from Account 1, I think it's fair to say Miss K (given the later insurance payment was made into Account 2) would most likely have requested the first payment of £2,800 into Account 2 as well if the funds had been successfully recalled.

At this point I think it would be reasonable to note that it was not Santander's error that the £2,800 was paid into Account 1. This would have been an arrangement between Miss K and her insurer as to where those funds should be paid. Not Santander. So the initial error of the funds being paid into Account 1 was not Santander's fault.

On 25 January 2023 it's been established Miss K's Account 1 was overdrawn. Leading up to these events Miss K had been in discussion with Santander about repaying the overdraft which had been withdrawn on 1 August 2022.

In comparison, on 25 January 2023 Miss K had a high balance of funds in Account 2 - around £23,000.

In the circumstances, I think it's fair to say Miss K had funds in Account 2 that could have been used to cover the difference between the £2,800 and the amount of overdraft that was cleared (£1,745.84) so that she could sort out the repairs to her property. Account 2 also appears to have been used for non-essential spending, so I think it's reasonable to say this was money Miss K had access to and was available to her.

I can see in the history of transactions provided that Miss K in fact transferred £1,000 from Account 2 into Account 1 on 7 February 2023. This took the balance on Account 1 from £1,054.16 (which was the balance after the overdraft had been cleared) to £2,054.16. Miss K then subsequently withdrew £2,000 cash from Account 1 on 7 February 2023.

Before 25 January 2023 the communications between Santander and Miss K (in relation to Account 1) show that Santander were asking Miss K to repay the overdraft. Several discussions took place in terms of making an arrangement to pay the outstanding balance. Miss K was also reminded on several occasions that should the overdraft not be cleared or if an arrangement was broken then the account would be defaulted and the debt possibly passed to a debt collection agency.

As the overdraft was cleared, Account 1 was not defaulted. As I'm sure Miss K is aware, a default on someone's credit file remains there for 6 years and can impact an individual's ability to obtain credit. So it was not insignificant that Miss K's account was able to avoid a default.

Taking everything into account, while Santander did give Miss K incorrect information about their process, and I think Miss K more likely than not would have tried for her insurer to recall the payment, I don't think Miss K is worse off because of what happened. I do not know what would have happened if the insurer had tried to recall the payment from Santander, but I think it's fair to say that Miss K would still have found herself in broadly the same position as she is in now. Miss K had funds available to her that could cover the difference of £1,745.84

from the claim payment of £2,800 and she would still have had to repay her overdraft to ultimately avoid the account being defaulted.

Santander have accepted that their incorrect information caused Miss K an inconvenience and some upset here and I think the offer of £200 to recognise this is fair in the circumstances. As I noted earlier, it would be unfair to hold Santander responsible for the original error of where the payment was sent to. And it would also be unfair for Miss K to have her overdraft repaid and receive a further £1,745.84 as she has requested.

Responses to my provisional decision

Miss K responded to my provisional decision to say that she accepted it. Miss K provided no further submissions or evidence for me to consider. Santander also replied to my provisional decision. Santander confirmed they had nothing further to add and accepted my provisional findings.

What I've decided – and why

As both parties replied before the deadline in my provisional decision I am now in a position to issue my final findings.

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 offered me anything further to consider I see no reason to depart from the conclusions I reached in my provisional decision. So for the reasons I've given above, I think £200 is fair to recognise the inconvenience and upset caused by Santander wrongly informing Miss K about their processes.

Putting things right

Santander UK Plc should pay Miss K £200.

My final decision

For the reasons above, my final decision is that Miss K's complaint is upheld in part and Santander UK Plc should pay Miss K £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 31 December 2023.

Kristina Mathews
Ombudsman