

The complaint

C a company, complains that Santander UK Plc debited its account of £8,000 and returned the payment to source. C would like the money returned.

C is represented by its director, Mr A

What happened

C had an account with Santander.

On 22 February 2022 C received £8,000 into its account. On 23 February 2022 Santander wrote to C informing it that a third-party bank had told Santander the payment into C's account was a mistake. They wanted Mr A to contact them to discuss the payment within 15 days or they would return the payment to source. In the meantime, they would block the account.

Mr A says he contacted Santander and confirmed the payment was correct. He provided information regarding the payment, but he said he wasn't able to view the information on the account as the account was blocked.

Santander said the payment would only be released after investigation.

Santander said they didn't hear from C. Santander returned the £8,000 to source on 16 March 2022 and blocked C's account. Santander says it only heard from C after the funds were returned to source. Santander confirmed that the account was unblocked between 24 February 2022 and 24 March 2022 so C could have viewed the information on the account.

C complained to Santander. As it was unhappy with Santander's response it complained to our service.

One of our investigators looked into the complaint. He thought Santander hadn't done anything wrong. The terms allowed Santander to return funds back to source and C hadn't provided Santander with information to substantiate it was entitled to the payment.

Mr A was unhappy with the view.

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.

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 C's account.

I have seen evidence Santander received information that the payment made into C's account was an error. I would therefore expect Santander to contact C and ask for proof of entitlement to the funds, and I can see from the information provided that they did so. I can see that the bank blocked the account for a couple of days whilst it reviewed the payment.

Mr A has said that he provided Santander with information they requested so he can't understand why the payment was returned to source. Santander have said they didn't hear from Mr A until after the funds had been returned.

Mr A has said that Santander shouldn't have returned the funds to source, and he didn't give permission for this to happen. Santander terms and conditions allow it to return funds to source without requesting consent from the customer. This is what Santander did on this occasion. I'm satisfied they acted fairly in this case, and I won't be asking them to return the funds to C.

Because Santander and C have different views about what happened here, I've looked at the information provided to me and listened to the calls. Having done so I can't see that Santander received information regarding the proof of entitlement to funds in the time frame they requested. However even if Mr A did send Santander the information they requested within the timeframe, Santander were still entitled to return the funds to source as Santander had been notified the funds had been paid in error. It follows I am satisfied they were entitled to send the funds back to source.

I appreciate Mr A is saying that C are entitled to the funds because they have provided goods to the customer, and I suggest C should contact their customer and pursue their customer through other avenues if necessary.

C has said it couldn't access information online because its account was blocked. However, I've seen evidence of a letter dated 24 February 2022 sent to C letting them know the temporary block had been removed from the account. From the evidence the account was unblocked between 24 February 2022 and 24 March 2022 so I can't see why Mr A couldn't access the information online.

In summary I have looked at the evidence provided by both parties including the calls and I've considered what Mr A has said and what Santander have said. Having looked at everything I'm satisfied Santander didn't act unfairly when they blocked and requested information regarding the proof of funds or when they returned the funds to source.

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 C to accept or reject my decision before 29 September 2023.

Esperanza Fuentes
Ombudsman