

## **The complaint**

A company which I'll refer to as R, complains that when replacing its old Authentication card with a new one, Bank of Scotland Plc (BoS) wrongly placed a stop on the old card before issuing a new one. R says this impacted the running of its business.

In bringing this complaint R is represented by its director - who I refer to as Mr H.

## **What happened**

In order to conduct its online banking, BoS provided R with an Authentication card. Mr H has told us that on 11 October 2021 he rang BoS to order a new card because he was fearful that due to general wear and tear on the existing card it wouldn't be long before it stopped working altogether.

Unfortunately, in error, BoS treated the old card as lost/stolen and placed a stop on it. That prevented R from accessing online banking facilities. Mr H said that although he pleaded with BoS to expedite issuing the replacement card, which they did to some degree, nonetheless the new card didn't arrive until about a week later.

So, Mr H complained to BoS. He told them that because R had no access to online banking due to the card suspension, on 12 October 2021, it was unable to fulfil a contractual obligation to grant a £36,000 loan to another company. I refer to this company as D. Mr H said he tried unsuccessfully to borrow the money elsewhere so that R could complete the loan and this created several hours of extra work for him, equivalent perhaps to one business day. Furthermore, according to Mr H, because D didn't receive the funds it expected from R on 12 October, it wasn't able to complete a foreign currency trade on that day and so this had to be re-arranged.

BoS acknowledged their error and offered £100 to compensate R for the inconvenience they'd caused. But Mr H didn't think that was enough and so he referred R's complaint to this service.

Focusing primarily on the circumstances of the foreign currency trade which Mr H identified as substantially the source of R's inconvenience, the investigator concluded that because of its inability to complete the trade, D rather than R was mainly impacted by BoS' error. In particular, the investigator noted that Mr H was also a director of D and that in his testimony Mr H acknowledged it was he who rearranged the foreign currency trade when the £36,000 loan seemed destined not to arrive. So, the investigator didn't believe BoS should pay compensation for that or for any inconvenience Mr H may have experienced personally. In relation to R, however, the investigator noted that although Mr H didn't have full access to R's account after BoS suspended the card, he'd nonetheless been able to conduct certain transactions using telephone banking. So, overall, he was satisfied that BoS' offer of £100 was fair and reasonable in the circumstances of the case.

R did not accept the investigator's conclusions. On its behalf, Mr H further explained his reasons for believing that R, rather D, was substantially inconvenienced. Mr H said R and D

had an 'arm's length' agreement whereby R undertook to provide loans to D on an "as required" basis. But the prospect of not being able to do so on 12 October 2021 meant he had to spend a considerable amount of time on behalf of R finding an alternative solution to avoid the risk of default. He said that meant he was unable to carry out his primary role on behalf of R which was to earn fee income for it. And when calculated by reference to his charge out rate and the time he spent trying to make good on the loan to D, BoS' error effectively cost R around £2,000.

### **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.

Having done I agree with the investigator's conclusions and for broadly the same reasons.

Since the bank has acknowledged it made an error, like the investigator I have focused on whether by offering to pay £100 compensation to R, BoS have done enough to put things right.

Mr H has explained that although BoS realised their error when they put a stop on R's old card, nonetheless, the bank seemed unable to sufficiently expedite issuing a new one. And in particular, in time for him to complete the loan transfer from R to D on 12 October 2021. He didn't think BoS provided helpful solutions to the problem R faced. So, for example, although telephone banking was available, the ceiling on the amounts that could be transferred using that facility was maintained even though it was far below the £36,000 that R needed to transfer to D.

I do understand Mr H's frustration that BoS weren't as flexible as he might have hoped when he was trying to find a solution to the lack of online access to H's account. I'll come specifically in a moment to the events surrounding the attempts to transfer funds from R to D. But first I think it might be helpful to set out the broad parameters when it comes to how we determine compensation for inconvenience.

Overall, Mr H considers BoS' offer of £100 to be derisory and that compensation should be more in the order of £2,000, especially when calculated by reference to the cost of his time dealing with the consequences of BoS' error.

But we don't make specific awards for someone's time, or calculate compensation using a set amount such as an hourly or daily rate. Rather we take account of the inconvenience the complainant experiences and the impact it had on them.

Mr H acknowledges he was able to use telephone banking to carry out transactions. And apart from the loan transfer to D on 12 October 2021, the routine operation of the account continued to be possible.

So, with that in mind I now come to Mr H's account the 12 October 2021 transfer which was, according to him, the major source of the inconvenience caused to R.

The investigator concluded that the inconvenience was in fact mainly experienced by D. Since it was D that hadn't been able to complete the foreign exchange transaction on 12 October, for lack of funds, I don't think that's an unreasonable conclusion. But I wouldn't be able to compensate D for such inconvenience. I say that because I'm not aware that D was ever a customer of BoS. And even if I'm wrong about that, I would still need to be satisfied that D's inconvenience arose from its own relationship with BoS. However, I've not been

persuaded that D's inability to complete the foreign exchange transaction on 12 October arose from an error BoS committed in its relationship with D. Rather, the bank made an error in its relationship with R.

That being said, I've not ignored Mr H's case that in the overall circumstances, through him, R was in fact inconvenienced by BoS' error. I would agree that if, as result of something a bank has done wrong in relation to a company, the director of that company has to spend time dealing with the consequences such that they're unable to properly conduct the company's affairs, then that company can, by extension, be inconvenienced.

Overall, I'm satisfied BoS' error did inconvenience R. The key question is to what extent. I've borne in mind that the suspension of R's card did not render its account totally inoperable since telephone banking was still available, although in relation to the transfer of the £36,000 loan to D that couldn't be done. And I accept Mr H's case he had to spend time trying to find alternative funding to complete the loan.

But based on Mr H's own testimony, his time wasn't spent solely on finding alternative funding to satisfy R's obligation. He's said part of his time was devoted to negotiating with the foreign exchange service provider to move the date of the foreign exchange trade given the difficulty with funding it. So, again, this was a problem for D rather than for R.

### **Putting things right**

Having considered this, and solely in relation to the inconvenience caused to R, I agree with the investigator a payment of £100 is fair and reasonable in all the circumstances of the complaint

### **My final decision**

My final decision is that Bank of Scotland Plc should pay H, £100 in full and final settlement of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 10 June 2022.

Asher Gordon  
**Ombudsman**