

The complaint

A charity, which I'll refer to as B, complains that Barclays Bank UK Plc failed to credit 20 cheques worth a total of £6,226 to B's account.

Mrs R, who is a trustee of B, brings the complaint on its behalf.

What happened

Mrs R told us:

- Most of B's funds come from an event it runs annually. B receives cheques from the event, which its trustees used to bank at their local branch of Barclays. After that branch closed, they began using their local Post Office instead.
- In August 2021 the event's treasurer took cheques to the Post Office to pay in to B's account. Most of the cheques went through without problems, but one batch – worth a total of £6,226 – did not reach B's account.
- Under the terms of the annual event, half the money B receives is paid out to other organisations. In November 2021 B therefore issued credits worth £3,113 to other parties.
- B discovered that the money was missing in January 2022, when one of B's sponsors asked why their cheques had not been cashed.
- B complained to Barclays, and discovered that an error had occurred at the clearing house. The cheques were received by the Post Office and sent to the clearing house for processing, but for some unknown reason the deposits were reversed.
- Barclays did not act immediately when B drew the matter to its attention. If it had done so, the cheques might have been found – and at that point they would not have been out of date, and could have been processed.
- To resolve the complaint, B and its trustees consider that Barclays should pay B £6,226. B should not suffer financially as a result of Barclays' mistakes, nor should it be required to put Barclays' errors right.

Barclays told us:

- It has traced the deposit, and accepts that the 20 cheques to the value of £6,226 did reach the clearing house for processing. The deposit was then reversed by a member of staff at the clearing house. It has not been able to establish why that action was taken, and can only conclude that a processing error was made by the clearing house.
- It has been unable to locate the physical cheques, and it therefore asked B to source

replacement payments either by cheque or by bank transfer. It appreciates this will cause additional work and inconvenience for the trustees, and it is sorry for that.

- It would like to offer £400 compensation to recognise the processing error and the time it will take B to source replacement payments. It has provided copy cheques to help B identify the remitters, and it is also willing to provide a letter confirming that the error was caused by the bank and was in no way the fault of B.

One of our investigators looked at this complaint. He thought Barclays' offer was fair and reasonable in the circumstances. He acknowledged that Mrs R wanted Barclays to pay £6,226, but given that the cheques weren't processed and the funds never left the remitters' accounts, he didn't think it would be fair to ask Barclays to pay that amount. He also thought that a payment of £400 for inconvenience was fair.

Mrs R did not accept our investigator's findings. She explained that it would be difficult for B and its trustees to obtain replacement cheques, and so far they have not sought to do so. B does not have contact details for all of the donors. In addition, the task would take considerable time and B has no paid staff; all those involved are volunteers. Those volunteers have already spent a considerable amount of time trying to put things right.

Mrs R also told us that the situation was explained in B's annual report, but that did not elicit any response. Over a year later, it would now be even more difficult to go back to the donors and ask for replacement cheques. They might have moved away, be reluctant to re-issue the cheque in this climate of high inflation, or even have died.

Overall, she considers that Barclays' clients should not be expected to have known that something had gone wrong, and they should not be expected to put Barclays' errors right.

The parties could not reach agreement, so the matter was referred to me as an ombudsman.

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 so, there is very little I can add to what our investigator has already said.

It's clear that B and its trustees were not in any way at fault for the fact the cheques were not processed. It isn't possible for me to establish exactly what happened at the clearing house, but there is no way that B or its trustees could have done anything to cause the error. I am satisfied that the error was entirely the fault of Barclays. If Barclays had done what it should have done, the 20 cheques would have been processed correctly and £6,226 would have reached B's account.

However, that does not automatically mean it would be fair for me to order Barclays to pay B £6,226. So far as possible, my aim here is to put B into the position it would have been in if Barclays had made no errors. But if I simply award £6,226, it is possible that some of the remitters will replace the cheques – and B would then be significantly better off than it would have been if Barclays had made no error.

When considering compensation, I need to think about whether there is anything B could have done to reduce the impact of Barclays' mistake. I also need to carefully consider the circumstances to decide what impact flows from the original error.

Here, I acknowledge Mrs R's point that Barclays could have acted more quickly when she first told the bank about the error. That is true. But I think it is also true that B's trustees could have taken steps to reduce the financial impact on the charity. I accept that it might have been difficult, or perhaps impossible, to trace all the donors. It would certainly have caused the trustees inconvenience to trace the donors, and might also have been embarrassing. But I think B's representatives should have made some attempt to obtain replacement cheques, over and above noting the issue in B's annual report.

I don't know what would have happened if B's trustees had tried to obtain replacement cheques. I think it's likely that at least some of the remitters could have been traced – and in particular it is likely B could have traced the remitter who first brought this matter to their attention. If B's trustees had tried to obtain replacement cheques, they might then have been able to demonstrate that Barclays' error had caused the charity to suffer a financial loss. But having considered the matter carefully, I do not have sufficient evidence to be satisfied that Barclays' error caused B to suffer a loss of £6,226 (or indeed that Barclays' error caused a financial loss of any other amount). The money the donors intended to pay to B remains in the donors' bank accounts, and might still be paid over to B if B's trustees were to ask for it.

However, I do think Barclays should pay compensation for the inconvenience it caused to the charity. I recognise that B is a small charity, and any work done to try to recover the money will be done by volunteers. In the overall circumstances, I think Barclays' offer to pay £400 for the inconvenience it has caused is fair.

Barclays has also offered to provide B with a letter explaining that the reason the 20 cheques were not credited to B's account was entirely due to an error on the bank's part, and further confirming that B and its trustees were not in any way responsible. If Barclays had not already made that offer, I would still have ordered it to provide such a letter. Barclays should ensure that B can demonstrate to its donors that the mistake here was the bank's fault.

Putting things right

Barclays Bank UK Plc should pay B £400 to compensate it for the inconvenience it has suffered, and provide a letter as described above.

My final decision

My final decision is that the compensation Barclays Bank UK Plc has already offered is fair and reasonable in the circumstances of this complaint. Barclays Bank UK Plc must pay B £400, and provide B with a letter explaining that B was not responsible for the mistake.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 9 December 2022.

Laura Colman
Ombudsman