

The complaint

Miss W complains that TSB Bank plc ("TSB") didn't cancel a standing order in line with her instructions and says this caused her financial loss.

What happened

Miss W holds a current account and a savings account with TSB. At the time she opened the savings account, TSB was running an interest offer which meant that it would pay a certain rate of interest if Miss W met certain criteria. One of the criteria was that £500 needed to be paid into the account each month.

In order to qualify for the offer, Miss W set up two standing orders. The first standing order was to pay £500 from the current account to the savings account each month. The second standing order transferred the £500 straight back to the current account on the same day. So the requirement for £500 to be paid into the savings account was satisfied, but the balance of Miss W's accounts didn't change.

In November 2021, Miss W asked TSB to cancel both standing orders. But only the payments from the current account to the savings account were cancelled. TSB accepts that it didn't cancel the payments from the savings account to the current account. So, £500 was transferred out of Miss W's savings account in December 2021 and again in January 2022. But there were no corresponding credits to the savings account. So the balance of the savings account reduced by £1,000. The current account was credited with these funds.

Miss W says she didn't notice the December payment into her current account and thought the January payment was from a third party who owed her money. She says she spent a lot of the money on Christmas and birthday presents, not realising it was her own savings.

In January 2022, Miss W became aware that the standing order hadn't been cancelled and that her savings account balance was £1,000 less than she thought. She was very upset about this and says it meant she couldn't afford to buy a car which she'd agreed to buy for a relative. She complained to TSB and asked it to pay £1,000 into her savings account.

TSB apologised for not cancelling the standing order and offered compensation of £50. Miss W wasn't happy with that and brought the complaint to this service. Our Investigator recommended that TSB pay compensation of £300. But Miss W says that TSB should give her the full £1,000. She asked for the complaint to be reviewed by 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.

TSB accepts that it made a mistake by not cancelling both standing orders. So my decision focuses on the impact of that mistake and what TSB needs to do to put things right. It's not disputed that Miss W's savings account balance was reduced by £1,000 because the standing order wasn't cancelled. The money was transferred to Miss W's current account.

So it was still available to her and could have been returned to the savings account with minimal impact.

But Miss W didn't notice that the funds had come from her savings account and the money was spent before she realised. So the savings account can't easily be put back in the position it would have been in if the standing order had been cancelled. Miss W says that TSB should pay the £1,000 into her savings account and I've thought about whether that would be a fair and reasonable resolution. I don't think it would and I'll explain why.

Although TSB made a mistake by failing to cancel both standing orders, I don't think it's fully responsible for the fact that this money has been spent. I think it's reasonable to expect Miss W to monitor her accounts and to have a good idea of how much money she has available in her current account for spending.

Miss W has explained that December was an extremely busy time. She says she didn't notice the payment that month as she only looked briefly at her balance, not the transactions. I think that's understandable. But the amount credited was £500, transferred as one payment. That would've had a significant impact on the current account balance. I think it's reasonable to expect Miss W to have known roughly how much money she had available to spend at that time and to have noticed that her balance was more than expected.

If she'd queried this at the time or looked at the transactions, she would have realised that the money had come from her savings account. This may have prevented it being spent in December and would likely have meant that the standing order would have been cancelled at that point, stopping the January one from going out.

In relation to the January payment, Miss W says she noticed the money in her account but thought it had come from a third party who owed her a significant amount of money. I think that's understandable, especially as Miss W was expecting to be reimbursed following a conversation about it in November 2021. But if she'd looked at the entry on her account, she would have seen that the money came from her savings account, not the third party.

Miss W says she spent the money thinking it was repayment of what was owed to her, not her own savings. But the savings will be recovered if the third party pays Miss W what they owe her. I understand that's looking unlikely now and I sympathise with Miss W about this. But it's not TSB's fault if she can't recover that money.

However, I think Miss W should have been able to rely on TSB to cancel both standing orders in line with her instructions. She says it told her over the phone that the standing orders had been cancelled and she trusted it. I can understand that point of view.

Also, I find it likely that the situation went unnoticed by Miss W because one of the standing orders had been cancelled. If neither standing order had been cancelled, the account balances wouldn't have been affected. And if the standing order paying money out of the current account had carried on but the payments from the savings account had stopped, I think it's likely Miss W would have noticed early on. I think she'd have seen that her balance was £500 lower than expected or wouldn't have been able to make purchases because of it.

But the standing order from the current account had stopped. I wouldn't necessarily expect Miss W to check her savings account as frequently as her current account. So I think it was reasonable for her to assume that both standing orders had stopped. Essentially, I think the fact that the standing order from the current account had been cancelled made it less likely that Miss W would notice straight away that something had gone wrong.

She says if she'd known the funds were from her savings account, she wouldn't have spent them. I don't think Miss W would have spent all that she did if both standing orders had been cancelled. But I don't think TSB could have foreseen that she would spend all the money, nor that she'd be unable to recover what she's owed from the third party. So I don't think TSB is responsible for the full impact here.

I agree with our Investigator that £50 isn't enough to put things right. As well as being out of pocket, Miss W has had the distress of discovering that her savings have been diminished, making it all the more important that she is reimbursed by the third party and adding stress to that situation. She has suffered embarrassment and inconvenience in relation to the car purchase and has had to pursue the complaint as she wasn't satisfied with TSB's response.

On balance, I think £300 would be a fair amount of compensation here. I realise Miss W doesn't think that's enough and I'm sorry to disappoint her. But, for the reasons above, I don't think TSB needs to pay more.

My final decision

For the reasons above, I uphold this complaint. TSB Bank plc should pay Miss W compensation of £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 7 December 2022.

Katy Kidd
Ombudsman