

The complaint

Mr B says The Co-operative Bank Plc acted unreasonably when it refused to transfer £600 from his account, or to allow him to make a cash withdrawal of the same value.

What happened

On 26 January 2022 The Co-op Bank declined to transfer £600 from Mr B's account to a third-party's business account, also held at The Co-op Bank. It also said it would prevent him from taking out the same amount in cash either at the counter, or via an ATM. Mr B says he has increasingly been asked to justify his transactions in his local branch and this time he was referred to the manager. He has repeatedly explained he pays for stock for a friend's business. He says this time the manager refused to believe him, accused him of aiding a scammer, asked for proof of the purpose of the payment, and was arrogant and rude. He asks how can it be legal for the bank to refuse to give him his own money without a valid reason, or evidence, to support its decision. Mr B thinks the bank neglected its duty of care to both parties involved in the transaction.

Our adjudicator did not uphold Mr B's complaint. She said the bank has a responsibility to protect its customers if it is concerned they maybe victim to some kind of fraud or scam, and that was the case here. It has provided a copy of the policy and processes its branch employees must follow and she was satisfied its actions complied with these guidelines.

Unhappy with this assessment Mr B asked for an ombudsman's review. He said it was unreasonable to ask that he evidence the transfer was legitimate – why didn't the bank have to produce evidence to the contrary. There were no reasonable grounds to refuse the transfer. He has been with the bank since 1951 so the bank should know all it needs to about him. He disputes that there was any agreement made that he would return the next day with more information. And our assessment doesn't comment on the bank's duty of care to Mr B or the third-party - and the bank is aware of her circumstances.

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.

Where the evidence is contradictory (as some of it is here) I have reached my decision based on the balance of probabilities. In other words, based on what I think it most likely given the evidence we have and the wider circumstances.

I am not upholding Mr B's account. I'll explain why.

In simple terms, the legal position is as follows. Where money is held on deposit, the relationship between a customer and their bank is primarily that of debtor and creditor. When dealing with a customer's order to make a payment the bank acts as the customer's agent in executing the instruction. An agent owes a principal a duty to exercise reasonable skill and care in carrying out the principal's instructions. So, a bank has a duty to its customer to take reasonable care when making such a payment.

With this in mind, a bank is under a duty to refrain from making a payment if it has reasonable grounds for believing, for example, that the instruction relates to fraud, a scam or any other criminal act. Given the bank's obligations to protect its customers from potential fraud or scams, it can be expected to make reasonable enquiries including – but not limited to – the circumstances surrounding the payment instruction.

Against those obligations however, the bank also has a contractual duty to execute a valid and proper order to fulfil its customer's instructions.

This means when Mr B asked to transfer £600 I think it is reasonable The Co-op Bank wanted to find out more about his reasons for doing this. Mr B has submitted his recollections of the hour he spent with the branch manager discussing the transaction. And the branch manager has done the same. Both parties agree that Mr B said the money was for a friend's business. Mr B recalls he said it was for stock and I can see he feels he had therefore satisfactorily answered the question.

But the manager says he was concerned Mr B had no real detail of what the money was actually being spent on, he asked if he had any evidence of how previous transfers he had made to the same recipient had been spent. The bank has explained it was particularly concerned as Mr B had previously been the victim of an attempted account takeover. I therefore think it was reasonable for The Co-op Bank to adopt a relatively cautious approach. Particularly given Mr B was unable to provide any substantive evidence, such as an invoice for the stock, to reassure the bank.

The manager's testimony sets out that he told Mr B if he returned with evidence to show how the funds would be used by the third-party it could look to make the transfer. Mr B says he did not make an agreement to do this.

Whilst I understand that the bank's decision was frustrating and inconvenient for Mr B I find no fault with its motivation or course of action. It has sent in its branch fraud process and it seems the steps it took comply with this. The terms and conditions (clause 10.2) of Mr B's account also provide that the bank can take such decisions. I would also clarify that its decision did not accuse Mr B of any impropriety as I think he perceives, rather that it wanted to be sure he was not the victim of any financial crime. I don't see the bank ever suggested Mr B was not entitled to the money which it holds in his name. I find, for his and its own protection, it was fair and reasonable that it asked for more robust information about the purpose of the payment before going ahead.

With regards the service offered during the meeting, without being there - and as the available evidence is contradictory - I can't fairly form a view on the tone and attitude of the manager. From both parties' testimonies I don't think it was an easy discussion for either person, but I don't agree that the bank has failed in its duty of care towards Mr B. I am persuaded its intention was to protect Mr B from any possible financial loss – and this is something the regulator expects banks to do, and to be able to show they are doing. I can't comment on the bank's duty of care towards the third-party as Mr B requests - she is not party to this complaint and has not made a submission to this service.

It follows I am not asking The Co-operative Bank to take any action.

My final decision

I am not upholding Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or

reject my decision before 4 November 2022.

Rebecca Connelley
Ombudsman