

The complaint

Mr S is unhappy that Bank of Scotland plc trading as Halifax (Halifax) removed funds from his account after receiving a fraud claim.

Mr S's complaint was brought by a representative. As the account is held in Mr S's name, I'll refer to Mr S throughout the decision.

What happened

In March 2021, Mr S received a payment of £500 into his account from a party I'll refer to as G. Then, in June 2021, Halifax received a fraud claim from G's bank.

Halifax placed a block on Mr S's account while they carried out a fraud investigation. As part of their investigation Halifax contacted Mr S and asked the reason the funds were paid into his account. Mr S told Halifax that the funds were a gift from G. Mr S also shared some wider information about the personal circumstances of his relationship with G, which he believed was the reason the fraud claim was raised. As a result of their investigation, Halifax debited the £500 from Mr S's account and returned it to G's bank.

Mr S raised a complaint with Halifax, saying the fraud claim wasn't genuine and asking them to return the money to his account. Halifax told Mr S they'd made the correct decision to return the funds to G's bank, so wouldn't be refunding him the £500. Also, that they'd acted appropriately in placing a block on his account while they carried out their fraud investigation.

Mr S wasn't happy with Halifax's response, so he brought a complaint to our service.

An investigator looked into Mr S's complaint and upheld it. They recommended that Halifax refund Mr S the £500, saying the matter was a civil dispute between the parties rather than a genuine fraud claim – so Halifax shouldn't have removed the money from Mr S's account. The investigator also recommended that Halifax pay Mr S £200 compensation for the distress he was caused.

Halifax agreed with the investigator's recommendation.

Mr S disagreed saying Halifax had accused him of acting fraudulently.

As the case couldn't be resolved, it was passed to me to review.

Having reviewed the case I noted that the investigator hadn't recommended that interest be paid on the £500 for the time it was out of Mr S's account. This is what we would usually recommend, so I contacted Halifax and asked if they would pay interest on the £500 refund at the applicable account interest rate, calculated from the date the funds left Mr S's account until the date the funds were returned. We haven't had a response from Halifax, so I've proceeded to review the case in full as this recommendation is in line with our approach more broadly.

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.

Should Halifax have taken the £500 from Mr S's account?

On receiving a fraud claim from G's bank, Halifax placed a block on Mr S's account while they investigated the claim. I'm satisfied that Halifax acted reasonably in placing the block as they wanted to secure the funds, in case they upheld the claim and sent the money back. As part of their investigation Halifax talked to Mr S to find out why the funds had been paid into his account. Based on the information that Mr S gave them, I'm not satisfied that Halifax acted fairly in taking the £500 out of Mr S's account. I say this because the information they were given clearly indicated that the funds were part of a civil dispute between the parties involved.

As I'm not satisfied that Halifax should've taken the funds out of Mr S's account, they should refund Mr S the £500. Halifax should also pay interest on this refund at the applicable account interest rate, from the date the funds left Mr S's account until the date they were returned. I've recommended that Halifax pay interest at the account interest rate as it seems most likely that the funds would've remained in Mr S's account if they hadn't been returned to G's bank.

The impact of Halifax's actions on Mr S

The investigator recommended Halifax pay Mr S £200 compensation for the distress caused by them returning the funds to G's bank. Mr S says £200 doesn't adequately address the distress he has been caused, saying the bank accused him of acting fraudulently.

In considering what is the appropriate level of compensation, I can't fine or punish Halifax. Also, I can't make an award against Halifax based on the distress caused by G raising a fraud claim, or G's bank in passing the fraud claim to Halifax. From what I've seen Mr S's account was used as a savings account and no withdrawals had been made in the five months before – so it's difficult to say that Mr S was significantly impacted by not having access to the £500 that was returned to G's bank.

I realise that Mr S is going to be disappointed as he wanted a higher level of compensation. But, having considered everything very carefully, I'm satisfied that the £200 recommended by the investigator is fair in the circumstances.

Putting things right

To put things right Bank of Scotland plc trading as Halifax should:

- Refund Mr S the £500, if they haven't already done so.
- Pay interest on that refund at the applicable account interest rate, calculated from the date the funds were removed from Mr S's account until the date they're returned.
- Pay Mr S £200 in compensation.

My final decision

My final decision is that I uphold this complaint against Bank of Scotland plc trading as Halifax and require them to compensate Mr S as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 December 2022.

Lisa Lowe
Ombudsman