

The complaint

Mr H complains that Caxton Payments Ltd failed to release his own funds for use whilst he was abroad.

What happened

Mr H opened a Caxton card for use whilst he was travelling abroad and loaded it with his own funds. During a trip to Europe, he attempted to withdraw some of his funds from an Automated Teller Machine (ATM).

Once Mr H put his card into the ATM, it gave an error message and released his card, but didn't dispense any funds. Mr H noticed that the withdrawal attempt was showing as a "pending" transaction in his app and contacted Caxton the same day and explained what had happened.

Mr H asked Caxton to reverse the transaction to allow him to use his funds loaded on the card whilst he was on his trip. Caxton replied to Mr H and told him that the transaction was cancelled by the merchant but was still "pending". Caxton further explained they had to wait for 21 days before it could be released unless the merchant gave their authority earlier, but this was the responsibility of Mr H (to approach the merchant) and Caxton couldn't approach the merchant on his behalf.

Mr H didn't think this was correct and believed the type of authorisation system used for ATM transactions prevented them from being held in a "pending" state. He continued to ask for the return of his funds. After 21 days the funds still hadn't been released and Caxton manually released the funds back to Mr H's card and admitted they'd had a technical error.

Mr H complained to Caxton, who after looking into the matter offered Mr H £10 to recognise the delay in releasing his funds. Mr H rejected their explanation about what had happened and their offer. He then brought his complaint to the Financial Ombudsman Service for an independent review. Caxton also agreed to remove their transaction fee (£1.50) for moving Mr H's money back to his account.

Mr H's complaint was looked into by one of our Adjudicators who reviewed the information provided by both parties. He thought that it was reasonable for Caxton to rely on their procedures to wait for the ATM merchant to release the funds. He also thought that the £10 offer was fair to recognise the error when Caxton's automatic system didn't release the funds after 21 days.

Mr H disagreed with the Adjudicator's outcome and asked for a further review of his complaint. Mr H thought that Caxton's reliance on their policy was wrong and continued to comment that the type of authorisation system used for ATMs prevented "pending" transactions.

I issued a provisional decision where I said:

I've considered all the available evidence and arguments to decide what's fair and

reasonable in the circumstances of this complaint.

When Mr H tried to use the ATM, it returned his card without dispensing any cash. Caxton explained to Mr H that "...the ATM withdrawal was declined due to a counter reset timeout, and as such, cancelled your withdrawal request."

When asked about this, Caxton explained that the transaction was still "pending" and couldn't be released until 21 days had passed, when their own system would automatically release the payment. This didn't happen and it took a manual intervention by Caxton to release the funds from its "pending" state.

Caxton informed Mr H that they couldn't release the funds without "express permission" from the merchant and they (Caxton) weren't able to approach the merchant on Mr H's behalf. The information that Caxton were able to see when they looked into the issue seemed to indicate that Mr H's withdrawal request had been cancelled. Caxton argued that this still meant that the payment was "pending" on their system and couldn't be released – but they also told Mr H that they were unable to contact the merchant themselves – despite their own agreement with Mr H that stipulated the release of payments was at Caxton's discretion:

"Once a Transaction is Authorised, it cannot be withdrawn or revoked unless both the Merchant and We agree to allow You to revoke it at Our discretion."

I'm unsure why Caxton wouldn't contact the merchant in this particular case. The information they had about the transaction from both Mr H and what they could see on their own system indicated the funds hadn't been dispensed. In fact, it said the transaction had been cancelled. Whilst I appreciate Caxton considered the transaction was still "pending", it would seem reasonable for them to have cleared this up with the merchant.

It doesn't seem likely that a transaction that was identified as "cancelled" would later be claimed by the merchant – and if it was, Mr H would have grounds to dispute it. If, on the other hand, Caxton had released Mr H's funds earlier based on his statements and the information they already had about the transaction – and it turned out that the merchant had dispensed the funds – Caxton's agreement with Mr H enabled them to claim those funds back from him.

Caxton informed Mr H that their policy was to wait for 21 days and referred to their website FAQ's (Frequently Asked Questions) to highlight where this information was available.

Having viewed the website on the link provided by Caxton, I wasn't able to determine that the information concerning the pending transactions wait time was available to Mr H either when he signed his agreement with Caxton or when the aborted transaction took place. That's because it appears that the website was only recently updated with this information.

I've also thought about what Mr H argued concerning the type of authorisation used when he attempted to withdraw cash from the ATM. Mr H argued that the single message system used for these types of transactions negated the possibility of a pending transaction because it was either authorised or not. Whilst that may be the case, I don't think it's central to the issue here.

Caxton were aware from information available to them at the time that the transaction had been cancelled because that's what they told Mr H. Their position then seems to have been to rely on their policy of waiting for 21 days before releasing the funds. They could have clarified this with the merchant at the time and released the funds to Mr H but chose not to. In fact, they told him they weren't able to contact the merchant and it was up to Mr H to do it himself.

I found that comment unhelpful in the context of Mr H's circumstances. He was abroad at the time and was looking to Caxton to assist him as it was their card that was used at the ATM. Mr H was told to contact the provider of a foreign ATM to sort it out himself before Caxton would release the funds. I don't think it would have been particularly straight forwards for Mr H to do that.

The funds also weren't released automatically and it then took a manual intervention to do that – something that Caxton could have considered doing at their discretion much earlier in the process.

I appreciate Caxton can't control the actions of merchants and it's reasonable for them to have a policy to deal with payment issues. But here, my current thoughts are that rigidly sticking to that policy hasn't resulted in a fair outcome for Mr H.

Caxton agreed to remove the transfer costs (£1.50) which I think was a reasonable response to the situation, but I don't think their offer of £10 adequately recognises their lack of service to Mr H when he was asking Caxton for their help whilst abroad.

I'm currently intending to uphold Mr H's complaint and require Caxton to pay Mr H £75 for the unnecessary stress and inconvenience they caused him.

I invited Mr H and Caxton to give me any more evidence and information they wanted me to consider before issuing my final decision. Mr H accepted my decision and Caxton didn't have anything further to add about the complaint.

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, and as neither party had anything further to add, I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my provisional decision.

Putting things right

Caxton are now required to pay Mr H £75.

My final decision

My final decision is that I uphold this complaint and Caxton Payments Ltd are instructed to settle the complaint as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 28 November 2022.

David Perry
Ombudsman