

The complaint

A charity, which I will call P (or simply 'the charity'), complains that HSBC UK Bank Plc wrongly declined a cheque and then accused the charity's trustees of fraud.

The charity is represented in this complaint by one of its trustees, Miss C.

What happened

Miss C told us:

- In December 2021, she gave one of the charity's suppliers a cheque for £15,000. The cheque was correctly completed, and was signed by her and one other trustee. They were both signatories on the charity's bank account.
- HSBC declined the cheque, but there was no reason for it to have done so. Even if there had been a reason, HSBC should have contacted her (or her fellow trustee) rather than writing to the supplier to say "*the cheque is suspected to be fraudulent*".
- She was able to pay the supplier by a different method (six daily payments of £2,500 each), but the charity's reputation with the supplier has now been harmed. The supplier has also lost trust in her, and will deal only with other representatives of the charity.
- To resolve the complaint, she would like an apology, the ability to talk to the bank on the phone if she has a problem, and a full explanation for the suspected fraudulent activity.

HSBC told us:

- A cheque for £15,000 was presented on the charity's account. That was unusual activity, so one of its Relationship Managers should have reviewed the matter and contacted the customer. That did not happen, and so its cheque team declined the cheque.
- It now accepts that if its Relationship Manager had attempted to contact Miss C, she would have confirmed that the cheque was genuine and that the charity did want to pay £15,000 to the supplier.
- Its decision to decline the cheque was solely due to concerns about the cheque itself, and was not in any way connected to Miss C's telephone security status or to other issues such as credit checks.
- It is sorry for any concern caused by the terminology used in the letter it sent to the supplier.
- It would like to offer £150 compensation to reflect its failure to contact Miss C and her

fellow trustee.

One of our investigators thought HSBC's offer was fair and reasonable in the circumstances. He said the charity had not suffered a financial loss, and he thought the £150 payment was fair compensation for the inconvenience HSBC had caused.

Miss C did not accept our investigator's conclusions. She accepted that there might not have been a financial loss to the charity, but she said her integrity – and that of the other trustee and the charity itself – was called into question. She considers that is worth considerably more than any financial loss.

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.

It's clear that HSBC has made an error. If HSBC had done what it says it should have done – and contacted Miss C (or her fellow trustee) to ask whether the cheque was genuine – then Miss C would have confirmed that she did intend to pay the supplier. In that case, HSBC would have honoured the cheque and there would have been no problem.

The dispute is now about what HSBC should do to put things right.

I am satisfied that the charity has not suffered a financial loss. Miss C was able to pay the supplier through another method. That would have been inconvenient – and I think the charity should receive a payment to apologise for that inconvenience – but the supplier was still paid and the charity still received the services it needed.

I know Miss C would like me to order HSBC to pay compensation for the distress she has suffered personally, but she is not the complainant here. This complaint is about a cheque drawn on the charity's bank account, and it is the charity and not Miss C personally who is HSBC's customer in respect of this issue. Our investigator was right to say that he could not consider recommending compensation to Miss C, and the charity is not itself capable of feeling distressed.

In any event, I don't think HSBC has accused Miss C of fraud. Whilst it has said it suspected the cheque was not genuine, and that it suspected fraud associated with the cheque, I've seen nothing to suggest that it ever said it thought Miss C (or her fellow trustee, or the charity) had committed fraud. If a third party had forged Miss C's signature, or amended the cheque in some way, then the fraud would have been committed by the third party and not by Miss C. It is very unfortunate that the supplier has lost trust in Miss C and the charity, but I don't think that is HSBC's fault – and so I will not make an award for damage to the charity's reputation.

I accept HSBC's evidence that a cheque for £15,000 was unusual activity for the charity's account. I also accept Miss C's evidence that the charity's account received a grant payment for the same amount shortly before she issued the cheque. If HSBC had contacted her, she would have been able to explain that she knew about both the payment and the cheque, and I have no doubt that she would have been able to reassure HSBC. But I do think it was reasonable for HSBC to have been concerned – if Miss C had had no knowledge of the £15,000 payment, then that would have suggested something had gone seriously wrong.

In fact there is no evidence of any fraud here, and no evidence of criminal activity of any kind. There was simply a mistake by HSBC; it should have contacted Miss C (or her fellow trustee) about the cheque, and it failed to do so.

I'm aware that there is a dispute about whether (and when) Miss C failed security verification when telephoning HSBC, but I don't think that has anything to do with HSBC's decision to decline the cheque. It didn't even try to call her about the cheque, so the issue of security verification did not arise.

Looking more generally at Miss C's calls to HSBC, I don't think the bank has done anything wrong. I can understand why Miss C was frustrated about the way HSBC applied its security processes, but I think HSBC was entitled to act as it did.

Putting things right

If HSBC had contacted Miss C – as it should have done – it would not have declined the cheque. That means Miss C would not have had to make six separate payments to the supplier. I consider that £150 represents fair compensation for that inconvenience.

I can see that HSBC has apologised to Miss C for any concern caused by the terminology in its letter to the charity's supplier, but I can't see that it has explicitly apologised for declining the cheque. It accepts it should have contacted Miss C about the cheque, and I am satisfied it would not have declined the cheque had it contacted her – so it follows that I think HSBC should also apologise to the charity for declining the cheque.

My final decision

My final decision is that I uphold this complaint against HSBC UK Bank Plc. I order HSBC UK Bank Plc to pay P £150, and to apologise to P for declining the cheque.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 3 January 2023.

Laura Colman
Ombudsman