

The complaint

Mr C is unhappy that The Co-operative Bank Plc blocked a payment he tried to make from his account and made payments in error from his account on two occasions. Mr C is also unhappy with the service he received from Co-op surrounding these matters.

What happened

Mr C found that Co-op had blocked a payment he was attempting to make to pay for fuel at a petrol station. Mr C wasn't happy about this, and he also wasn't happy that Co-op had made two unauthorised payments from his account a few months prior which had been marked as overseas payments and which had put his account overdrawn. So, he raised a complaint.

Co-op looked at Mr C's complaint. They explained that the payment to the petrol station had been flagged by their automated fraud prevention systems and noted that they'd sent Mr C a text message at the time the payment had been stopped which Mr C had quickly replied to which allowed the block to be removed from Mr C's card. As such, Co-op didn't feel they'd acted unfairly towards Mr C regarding that aspect of his complaint.

Co-op also explained that they couldn't find evidence of the two unauthorised payments that Mr C referred to in his complaint, and asked Mr C to provide further information about these. Mr C wasn't satisfied with Co-op's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They didn't feel that Co-op had acted unfairly in how they'd blocked the payment that had been flagged by their automated fraud prevention system, and so didn't uphold that aspect of Mr C's complaint.

However, our investigator did note that Co-op had subsequently confirmed that two unauthorised payments had been made from Mr C's account due to human error and felt that, while those unauthorised payments had been refunded back to Mr C's account in a timely manner, Mr C had been unfairly troubled and worried by these payments.

Our investigator therefore said that Co-op should pay £150 compensation to Mr C for what had happened. Mr C didn't feel that the recommendation put forwards by our investigator went far enough, so the matter was escalated to an ombudsman for a final decision,

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.

Financial institutions such as Co-op have an obligation to have systems in place to protect their customers' accounts, as much as possible, from acts of attempted fraud. To that end, automated fraud prevention systems, such as the system that flagged Mr C's attempted payment here, are widely used to flag account activity that may be of concern and to prevent usage of an account where there's a possibility that fraud may potentially be occurring.

Additionally, it's incumbent on banks to employ these systems with a degree of vigilance – to err on the side of caution, as it were – which unfortunately means that there will be instances where legitimately authorised transfers are flagged erroneously by the fraud prevention systems. And I'm satisfied that this is what happened in this instance.

I appreciate that Mr C may like an explanation as to why this was the case. But I wouldn't expect Co-op to provide such an explanation here, and this is not only because fraud prevention systems are being constantly updated by financial institutions in response to new information on potential threats, but also because if a bank were to make public how its fraud prevention systems work, then this would potentially reduce the effectiveness of those systems and leave them open to manipulation.

I'm not unsympathetic to Mr C's frustration here. But ultimately, I feel that the necessary employment of fraud prevention systems can mean that there are instances where an unavoidable degree of inconvenience and frustration can sadly be incurred by account holders – and I feel that's what's happened here. And, while I accept that this is unfortunate, I don't feel that it's unfair.

Additionally, it's also notable that in this instance, Co-op sent a text message to Mr C within a minute of his account being blocked and that Mr C responded to that text message a few minutes later which led to the quick unblocking of his account such that only minimal disruption was experienced by Mr C. And so, taking into consideration all the above, I don't feel that Co-op did act unfairly by blocking the payment as they did, or regarding the service they provided to Mr C surrounding that issue, and so I don't feel Co-op should reasonably be asked to compensate Mr C for the blocking of that payment as he may like.

But it's clear that Co-op did process two unauthorised payments from Mr C's account, in March and June 2021 respectively. While the Co-op staff member that initially looked at Mr C's complaint didn't find these unauthorised payments, Co-op have subsequently confirmed to this service that they did take place and have explained that they were as the result of keying errors by individual members of their staff.

In both instances Co-op appear to have quickly recognised the mistakes and acted quickly to reimburse the amounts back to Mr C's account. And Co-op explained that in the first instance they contacted Mr C and made him aware of what had happened and that the error was being rectified, and that in the second instance they made three attempts to contact Mr C but were unable to do so and so left an explanatory note so that the issue could be explained to Mr C if he called Co-op about it.

Mr C doesn't remember ever receiving a call from Co-op about this issue. But I find the internal notes provided by Co-op which detail their successful and unsuccessful attempts to contact Mr C to be persuasive here, and I therefore feel it's more likely than not, on balance and in consideration of all the information provided to me by both Mr C and Co-op, that the description of events provided by Co-op did take place.

Notably, one of the unauthorised payments put Mr C's account into an overdrawn position. But Co-op's notes confirm they were conscious that Mr C shouldn't incur any fees or charges because of their error, and it appears that no such fees or charges were incurred by Mr C.

However, the fact remains that Co-op made, and repeated, the mistake of making a payment from Mr C's account that he hadn't instructed. And I appreciate how this would have been both inconvenient and upsetting to Mr C, even if Co-op's errors were resolved reasonably quickly in both instances.

In their view of this complaint, our investigator recommended that Co-op should make a

payment of £150 to Mr C as compensation for the trouble and worry Mr C incurred surrounding these unauthorised payments. And, while I acknowledge that matters of compensation can be subjective, and that Mr C may feel that a higher amount of compensation should be merited here, this £150 amount does feel fair to me.

In arriving at this position, I've considered the impact that these unauthorised payments may have had on Mr C, especially given that Co-op made the same error twice, and also that Co-op acted swiftly to resolve those errors, as explained. I've also considered the general framework within which this service considers compensation amounts for trouble and upset, further details of which can be found on this service's website, and in consideration of all these points I'm satisfied that £150 is a fair and reasonable amount for what happened here.

Finally, in his correspondence with this service, Mr C has explained that he doesn't feel that an award of £150 provides any deterrence to banks such as Co-op to be more vigilant in not making errors. But this service isn't a regulatory body, and as such it's not within my remit to consider the wider conduct of banks such as Co-op as Mr C suggests – such considerations would be for a regulatory body to make.

Instead, this service is an informal, impartial dispute resolution service with a remit based on fairness of outcome in consideration of the specific events being complained about. And, having considered the full circumstances of this complaint, I'm satisfied that the award of £150 compensation to Mr C regarding the two unauthorised payments made by Co-op from his account does represent a fair and reasonable outcome to Mr C's complaint.

It therefore follows that while I will be upholding this complaint in Mr C's favour, I'll only be doing so on the same basis as previously recommended by our investigator, whereby my only instruction to Co-op will be that they must make a payment of £150 to Mr C. I realise this may not be the outcome Mr C was wanting, but I trust he'll understand, given everything I've explained, why I've made the final decision that I have.

Putting things right

Co-op must make a payment of £150 to Mr C.

My final decision

My final decision is that I uphold this complaint against The Co-operative Bank Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 17 February 2023.

Paul Cooper
Ombudsman