

The complaint

Mr L is unhappy that Lloyds Bank Plc didn't send a faster payment to the correct bank account.

What happened

On 13 November 2021, Mr L made a faster payment of £400 to fund the purchase of a car he'd seen on a social media marketplace. But the beneficiary claimed they didn't receive any payments from Mr L.

Lloyds Bank confirmed to Mr L that the payment was sent to the correct account details and agreed to send him a letter which could use as proof of payment. On 16 November 2021, Lloyds Bank sent Mr L a confirmation of payment letter, but this had the wrong sort code.

Unhappy with this Mr L raised a complaint. Lloyds Bank said they'd sent the funds to the correct account but had made a typo in the confirmation of payment letter. They sent Mr L further confirmation of payment letters on 23 November and 8 December 2021, but these had the same mistake again quoting the incorrect sort code.

Mr L believed that Lloyds Bank had sent the funds to the wrong account and asked them to reimburse him. Lloyds Bank refused to refund Mr L as they said that the funds were received by the beneficiary. They gave Mr L confirmation of the correct account details and explained the typos were caused by human error. They apologised for the inconvenience caused and paid Mr L £60 compensation.

Our investigator said that there were no bank errors when processing the payment as the beneficiary bank had confirmed the funds were received. She said Lloyds Bank had paid a fair amount of compensation for the errors in the letters he was sent. Mr L disagreed and asked for an ombudsman to review his complaint.

My provisional decision

I issued a provisional decision on 14 November 2022, and I made the following findings:

"The beneficiary bank has confirmed that Mr L's payment of £400 was received into the seller's account on 13 November 2021 at 1.34pm. So, I'm satisfied Lloyds Bank processed Mr L's faster payment as per his instructions and I can't fairly ask them to reimburse him.

That said, I think the level of service Mr L received from Lloyds Bank fell short of what he could rightly expect to receive. Lloyds Bank have paid Mr L £60 in recognition of the distress and inconvenience caused to him. I don't think this goes far enough to reflect the impact on Mr L.

Based on what I've seen so far, sadly it appears that Mr L has been a victim of a scam. Lloyds Bank seem to agree with this also. I say this because the seller still

claims they haven't received the funds despite their bank confirming receipt of the payment. They've also told Mr L that they'd since sold the car. These are indications that this was most likely a scam. Car scams of this nature aren't uncommon.

I appreciate Mr L doesn't believe he's been scammed, but he appears to have taken this stance because of the errors made by Lloyds Bank. This is because the confirmation of payment letter sent to Mr L on 16 November 2021 had the incorrect details, as it was missing a digit from the sort code.

Mr L shared this letter with the seller as proof of payment. Unsurprisingly, the seller then convinced Mr L that the reason they hadn't received the payment he sent was because Lloyds Bank sent it to the wrong details as stated in their letter.

Lloyds Bank then sent two further confirmation of payment letters on 23 November and 8 December 2021. Unfortunately, both of these also had the same mistake (wrong sort code) as the letter of 16 November 2021.

The letters also said that no bank error had occurred and to liaise directly with the beneficiary. However, from Mr L's point of view, Lloyds Bank had made an error as they've confirmed in writing three times that the payment was sent to the wrong sort code.

Given that Lloyds Bank repeated the same mistake three times, it reinforced Mr L's faith in the seller and made them more trustworthy in his eyes. So, I don't think it's unreasonable that Mr L believes the fault lies with Lloyds Bank rather than him being scammed.

I can also understand why Mr L had lost confidence in Lloyds Bank. And he couldn't accept the explanation he was given, that the payment had been made to the correct account and that Lloyds Bank had made typos in three confirmation of payment letters. They'd lost all credibility with Mr L after repeating the same mistake three times.

Mr L was caused unnecessary frustration, distress and annoyance when the first confirmation of payment letter was sent to him with the incorrect sort code. Lloyds Bank knew about the mistake they'd made but still didn't take sufficient care to ensure the next confirmation of payment letter sent to him was correct.

A third confirmation of payment letter sent to Mr L also had the same mistake. By repeating these errors, the impact on Mr L was compounded. He was already worried about the payment not reaching the seller, so it added to his stress.

These mistakes caused delays in Mr L trying to resolve this issue with the seller – although we now know that it was likely a scam, Mr L wasn't aware of it at the time, so he would've still been affected by the delays.

Mr L was worried and frustrated about the car being sold to someone else. He was also caused unnecessary inconvenience in having to contact Lloyds Bank several times, including visits to the branch. If Lloyds Bank hadn't made the further mistakes after the first letter, then it's likely Mr L would've realised he'd been a victim of a scam sooner.

Taking everything into account, I think £200 in total is fair and reasonable to compensate Mr L for the distress and inconvenience he was caused. Lloyds Bank

have already paid him £60 so they should now pay an additional £140 to fairly resolve this complaint.

I hope that Mr L is now reassured after an independent review that Lloyds Bank correctly actioned his faster payment instruction. If he's now willing to accept he's been scammed, he can speak to Lloyds Bank about considering a claim under the Contingent Reimbursement Model (CRM) to see if he may be entitled to a full or partial refund.

It's important for me to point out that CRM aims to offer an increased protection to customers from authorised push payment scams. But this doesn't mean Mr L is guaranteed to receive a refund as certain exceptions apply. If Mr L isn't happy with the outcome of the claim, he'll need to raise it separately to this 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.

I invited both parties to respond to my provisional decision with any further submissions.

Mr L didn't accept my decision. He said that the inability of Lloyds Bank to supply him with proof of payment will cost him £200. Lloyds Bank confirmed they agreed with my recommendations.

In the final response letter dated 17 December 2021, Lloyds Bank explained the letters previously sent had the incorrect beneficiary sort code. They confirmed the correct sort code where the payment was sent to and explained that the mistake in the previous letters were caused by human error.

Lloyds Bank apologised for the inconvenience caused and asked Mr L to use the final response letter as evidence going forward to confirm that the payment was sent to the correct details. They also told Mr L to seek independent advice if the seller still refutes receiving the payment.

Based on this, I can't agree that Mr L wasn't given proof of payment, nor that Mr L was out of pocket due to the actions or inactions of Lloyds Bank. As explained in my provisional decision, it appears Mr L has been a victim of a scam causing him financial loss.

Although Lloyds Bank took much longer than reasonably expected to give Mr L the proof of payment, and only did so after three incorrect attempts – they did give Mr L the information he needed in their final response letter to pursue matters further with the seller.

In any event, I don't think Mr L would've been able to purchase the car nor receive his money back from the seller, even if Lloyds Bank hadn't made a mistake in the proof of payment letter or if they'd not made repeated typos after their first letter of 16 November 2021. I say this because the seller still claims they haven't received the funds despite their bank confirming receipt of the payment.

Also, it's important for me to clarify that the award of £200 compensation in total is not to reimburse Mr L for the financial loss he's suffered as a result of what appears to be a scam. Since Lloyds Bank processed the faster payment in line with Mr L's instructions, they can't fairly be held responsible for Mr L's loss.

Instead, as explained in my provisional decision, the compensation award is in recognition of the distress and inconvenience caused to Mr L by the poor service he received from Lloyds Bank.

I appreciate Mr L feels strongly about his complaint, but I remain satisfied that £200 compensation in total is a fair amount under the circumstances and see no reason to deviate from the outcome I explained in my provisional decision.

My final decision

For the reasons explained above, my final decision is that Lloyds Bank Plc should pay Mr L £200 compensation in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 30 December 2022.

Ash Weedon
Ombudsman