

## **The complaint**

N complains that The Co-operative Bank Plc (Co-op) accepted a switching request for its account from another bank before it had made the decision about which bank it was going to move to.

N is represented by its director, Mr S.

## **What happened**

N's bank offered it a financial incentive to switch its account to a new bank. There were numerous banks that N could switch to, two of which looked to be suitable options for N's needs, so they applied to both before the deadline for applications was reached.

There was a further deadline by which the switch had to take place in order for N to receive the incentive. In the interim, N was in discussions with these two banks, one of which was Co-op, about what facilities would be available to them.

N required an overdraft equivalent to the one it held with its current bank. Neither Co-op nor the other bank were able to match the current facility N had, however Co-op offered N a £40,000 overdraft facility if the directors provided their home as security. The other bank offered a £25,000 overdraft facility subject to credit checks.

Co-op agreed not to accept the switch while the negotiations about the overdraft facility continued, however, they did accept the switch before the discussions concluded and without N's agreement.

N complained to the Co-op explaining it hadn't yet decided which bank it was going to move to. Co-op apologised for their error but were unable to stop or reverse the switch. There was no overdraft in place for N with the Co-op at the time this happened.

Co-op apologised to N in their final response letter and offered £200 as an apology for the inconvenience their errors had caused it. Co-op also provided N with a letter to give to its customers explaining that the issue was a bank error and not caused by any fault of N's.

N was unhappy with this response and as Co-op considered the matter to be closed, Mr S brought N's complaint to our service.

One of our investigators looked into the matter. As Co-op had since increased their offer to £500, our investigator considered whether she thought this fairly compensated N for the issues caused by Co-op's error.

She didn't think that Co-op had asked for any unreasonable information before approving the overdraft. So, she focused her investigation on the impact the unexpected switch had on N and its customers. She felt that the £500 offered by Co-op was a fair reflection of the inconvenience caused by their error.

Mr S disagreed and said the amount suggested did not compensate for the stress, confusion and inconvenience Co-op's error had caused N. He asked for an ombudsman's decision, so the case was passed to me to decide.

Having reviewed the matter, I contacted Mr S and Co-op in an attempt to resolve the complaint informally. I said that I was minded to uphold the complaint and to ask Co-op to increase the amount of compensation they had offered to £1,000. Co-op agreed to increase their offer, but Mr S said this still fell short of what he believed was fair compensation for the error.

He said, in summary, that the unauthorised move to Co-op was hugely stressful and inconvenient and it has taken a huge amount of time for N to liaise with its customers and put things right. Some of N's orders were delayed and some payments went missing.

Mr S said the situation affected N's reputation and that in 2023 N would need to move its customers for a second time to the bank it had originally wanted to switch to. So, he asked me to provide a final decision on the matter.

### **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 reviewed the information available to me, I can see there is no dispute that Co-op were at fault here. Mr S specifically asked for the switch not to be actioned before the overdraft was agreed and there is an acknowledgement on the file from Co-op assuring the directors of N that this wouldn't happen.

As this fact is agreed by all parties, I've considered whether it is likely N would've chosen to switch to Co-op or the other bank they were negotiating with.

From the evidence available to me, I think it is unlikely N would've chosen to switch to Co-op. I say this because it is evident that Mr S was unhappy with what was required by Co-op to put the overdraft facility in place. I can also see that N proceeded to open an account with the other bank it was negotiating with before the unexpected switch to Co-op went ahead. N would've been in time to receive the switching scheme's cash incentive from the other bank and I've also seen evidence that N intends to move its full banking relationship to the other bank in the coming months. As such, I'm satisfied N never intended to switch to Co-op.

I've also considered whether I think Co-op's application process for the overdraft facility was fair. Considering the amount of the requested overdraft, I don't think it was unreasonable for the Co-op to ask for additional security or for them to ask N to seek independent legal advice. Ultimately, these requirements are part of the bank's commercial lending decision and we would not look to interfere with them.

I've next considered the impact the unexpected switch had on N. I understand that at very short notice the directors of N had to:

- manually transfer direct debits set up on the debit card held with the previous bank
- manually set up new payments for overseas customers
- re-issue invoices to customers, including new customers who needed to be reassured that this was a legitimate request and not a fraudulent request
- make payments from the director's personal accounts while awaiting access to online

banking

- endure the inconvenience of a bounced overseas payment which then went missing for a number of weeks

This is all inconvenience N wouldn't have had to spend time rectifying if Co-op hadn't made the error of accepting the switch in the first place.

However, I can see N managed to mitigate some of its issues with paying suppliers by transferring funds to another account. I appreciate this was inconvenient and time consuming, but it meant there was no significant delays in N paying its suppliers.

In addition, the Co-op provided letters for N's customers, taking responsibility for any inconvenience caused to them by the sudden change in account. This will have helped to limit any damage to N's reputation.

Co-op also refunded the charge for tracing the missing overseas payment. And I can see the cash incentive for switching was paid to N when it was due.

I appreciate that N was unprepared for the amount of work the unexpected switch caused, however the deadline for completing the switch to any bank was approaching. So, I think it is fair to say that N must've been anticipating some additional administrative tasks around this time - albeit not to the extent that Co-op's error caused.

As a result of the serious inconvenience N has been caused by its directors having to spend time resolving this matter when they could have been contributing to the business, I think £1,000 compensation is fair in the circumstances.

I understand that Mr S thinks this should be more, but this is in line with what I think is reasonable and what I think reflects the disruption and inconvenience N faced when the switch was actioned without its agreement.

Mr S told us that N plans to transfer all its banking away from Co-op in early 2023 but as this has not yet occurred, I'm unable to consider this as a potential loss. I can only consider what has actually happened so far.

In addition, I understand N has had some further issues with Co-op during the course of their relationship. However, as our investigator explained, these would need to be considered as a separate complaint.

### **My final decision**

My decision is that I uphold this complaint and instruct The Co-operative Bank Plc to pay N £1,000 compensation for the inconvenience caused by their error.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S, on behalf of N, to accept or reject my decision before 17 January 2023.

Tara Richardson  
**Ombudsman**