

The complaint

Miss S complains about National Westminster Bank Plc's ("NatWest") handling of her request to recover funds which were sent to an incorrect account.

What happened

Miss S made an online payment of £5,000 to an account but later realised she'd sent it to the wrong account. She contacted NatWest and asked them to recover the funds. At first, NatWest sent a claim to recover the funds, but this was for a separate transaction for £367.15 – and was one which Miss S intended to make. NatWest then made a claim to recover the £5,000. Miss S was unhappy with the service provided by NatWest in relation to the recovery of the funds, so she complained.

NatWest responded and explained the payment of £5,000 was successfully credited to the intended beneficiary's account so the claim was rejected. NatWest accepted though they'd provided Miss S with incorrect information and credited her account with £50 as compensation. Miss S then raised a further query about the payment as NatWest appeared to have referred to incorrect account details when suggesting the £5,000 had been sent to the intended beneficiary.

NatWest then accepted their final response letter was incorrect. They explained they'd made a separate claim for recovery of the £5,000 but the recipient bank were unable to protect the funds as they were no longer available in the recipient's account. NatWest explained the recipient had offered to repay Miss S back at £200 per month. NatWest also offered a further £150 compensation for the incorrect information in their final response letter. During our investigation, NatWest arranged with the recipient bank for the recipient to set up a repayment plan of £200 per month. The recipient bank then informed NatWest they hadn't received any response from the recipient to set up the repayment plan, so the funds couldn't be recovered.

After considering all of the evidence, I issued a provisional decision on this complaint to Miss S and NatWest on 3 January 2023. In my provisional decision I said as follows:

"Firstly, I've looked at the service given to Miss S. The key facts about the complaint aren't in dispute. NatWest have admitted they got things wrong when they initially tried to recover the £367.15 payment and not the £5,000 payment. This led to delay in attempting to claim the funds Miss S instructed NatWest to recover. NatWest also accept their final response letter was incorrect and they gave Miss S incorrect information. The only issue I have to decide is whether their offer to put things right is fair and reasonable.

I think it's right that NatWest should take steps to put things right. To help decide what's fair and reasonable in the circumstances, I've looked at the errors by NatWest and what the impact of those errors have been.

The main dispute here relates to the £5,000 which hasn't been recovered from the recipient. The details of the claim say Miss S was trying to transfer money to her own account but accidentally selected the account of a payee she had transferred money

to previously. I've listened to Miss S's first call to NatWest to report the issue on 27 February. Miss S explains she has made a payment of £5,000 but she thinks she has made it to the wrong account. She explains the account it's been sent to is her own account but it no longer exists. The agent explains if the account no longer exists the funds should come back automatically. The agent explains there isn't much they can do about it yet as Miss S has only just made the payment. The agent says if the funds aren't returned automatically within 24 hours then Miss S should call them back and they'll do a faster payment recovery.

The agent then checks details on the system and explains this shows successful receipt of the payment so it must mean the account is open. The agent explains the system shows "...you've sent it to a payee with the name *****, is that your own account?" and Miss S confirms it is. The agent explains that, while Miss S might not use the account, the recipient account does still appear to be open. Miss S again confirms that the recipient account should be closed and the agent explains it could well be that the funds are being held in the recipient bank's suspense account and should be returned within 24 hours, but if not, she can call back and NatWest will do a payment recovery.

Miss S then calls back on 1 March and explains the £5,000 hasn't been returned. During this call the agent reads out the payment particulars, and Miss S confirms it's correct and again confirms it's been sent to her own account. The agent reads out the bank sort-code the funds have been transferred to and it appears Miss S is still unclear about the account the funds have been transferred to as she still believes it's her own account. During the call Miss S and the agent discuss the intended recipient account details and establish that Miss S wanted to send the funds to an account with the sort-code '*****9' but has sent it to '*****8'. I can see NatWest then start the process to recover the funds – but in this case it was the incorrect transaction funds they were attempting to recover. When NatWest realised their error and started the recovery process for the correct transaction, the funds had already been withdrawn by the recipient. While the withdrawal was out of NatWest's control, I've thought about when I think it would've been reasonable for NatWest to have started the recovery process and what difference this would've made.

Miss S makes the incorrect transfer on 27 February and calls NatWest the same day. It's clear she believes she has incorrectly sent the funds to her own account which is closed and the information the agent then provides is on the understanding this is the case. But, it's clear the agent accessed Miss S's details on their system as they discuss the details of the transaction. During this call though, unlike the later call, the agent doesn't read out the account details the funds have been sent to. Given that the agent had Miss S's information open on their screen – combined with the fact that the transaction related to a significant sum – I think the agent should've made these checks with Miss S in the same way the agent in the second call did. I think the agent should also have read out the account number the funds had been sent to. Had they done so, I see no reason why this call wouldn't have brought to light the fact that the funds hadn't been sent to Miss S's closed account with another bank – but instead to a third party.

So, I think there has been an error here and NatWest should've started the recovery process on 27 February. I've then gone on to consider what difference, if any, this would've had. The Payment Services Regulations say that a payment service provider should take "reasonable steps" to recover funds that have been mistakenly applied to an account. What constitutes reasonable steps will depend on the circumstances. But in January 2016, Faster Payments announced new procedures to help customers who make payments in error. These set out timeframes both for

investigating mistakes and for returning payments. When they're told about a mistake, the sending payment services provider must contact the receiving payment services provider within two days. If the mistake's clear, they should ask the receiving payment services provider to prevent the money being spent.

In this case, I can see Miss S called NatWest again on 1 March and NatWest then started the recovery process the same day and contacted the recipient bank on 2 March. So, this shows that, from starting the process, NatWest were able to send the recovery request by close of business the following day. In their request, NatWest ask the recipient bank to protect the funds. I've explained above why I believe NatWest should've sent the recovery request after the first call. So, in following the same process they've followed and sequence of events, I think it's more likely than not NatWest would've submitted the recovery request at least by close of business on 28 February.

I can see the recipient bank have provided our service with information showing the funds were withdrawn by the recipient on 1 March. So, had NatWest started the recovery process on 27 February, the recipient bank would've been in receipt of the request to protect the funds prior to the funds being withdrawn. Thereafter, even if the recipient was able to withdraw the funds on 1 March, NatWest would've been able to demonstrate they acted promptly and in line with the Faster Payments procedures. But, in this case, during the call on 27 February, NatWest didn't go into the detail I would reasonably expect given the nature of Miss S's issue and this led to a delay in submitting a recovery request. While the first recovery request on 2 March related to the wrong transaction, I don't think that's material to my findings here because by this point the funds had already been withdrawn. So, even if this recovery request was for the correct transaction of £5,000, these funds were no longer available in the recipient account in any event.

Taking this all into account, I think NatWest have missed the opportunity to submit the recovery request prior to the withdrawal of the funds and ask for the funds to be protected. So, I think it's fair and reasonable in the circumstances for NatWest to reimburse Miss S the £5,000 which she has lost. In addition to this, Miss S has experienced significant worry and inconvenience by NatWest attempting to recover the wrong transaction, Miss S having to clarify this for them and then providing incorrect information in their final response. There is also the impact of the delay I've identified here and NatWest not going further with their questions and therefore not making the recovery request on 27 February.

So, as well as the £200 NatWest have already paid, they should pay an additional £100 to bring the total compensation to £300."

So, subject to any further comments from Miss S or NatWest, my provisional decision was that I was minded to uphold this complaint.

Following my provisional decision, both parties have confirmed they accept the 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.

Having done so, and with both parties accepting the decision, I see no reason to depart from my provisional decision. So, I've decided to uphold the complaint for the reasons set out in my provisional decision and copied above.

Putting things right

I've taken the view that NatWest have made errors by delaying the recovery request and also providing incorrect information to Miss S. So, NatWest should reimburse Miss S the £5,000 together with 8% simple interest from 1 March 2022 (this being the date the funds were withdrawn) to the date of settlement. And, in addition to the £200 compensation already paid by NatWest, they should pay a further £100, bringing the total to £300.

My final decision

My final decision is that I uphold the complaint. National Westminster Bank Plc must take the steps in accordance with what I've said under "Putting things right" above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 1 March 2023.

Paviter Dhaddy
Ombudsman