

The complaint

M, a limited company, complains that HSBC UK Bank Plc won't refund payments that were made in error.

What happened

The director of M explains that he didn't have access to online banking for M's account in April 2022. So, he asked a branch to set up payments for a period while he'd be away. He says that three of those payments went to the incorrect details for a contractor. And he's only been able to recover one of those payments for M.

HSBC said it wouldn't be doing anything more. The director had signed payment authorities confirming the payee and it had acted on these. It had attempted to recover the payments. One for £500 made on 25 April 2022 had been returned on 26 May 2022 by the beneficiary's bank. But the payments of £500 on 18 April 2022 and £765 on 11 April 2022 hadn't been returned. M would need to pursue this with the person who received the money and may want to take legal advice. It had paid M £75 to reflect any misunderstanding about its process.

Our investigator recommended that HSBC pay M £400 in compensation for the inconvenience caused. There were two payment mandates for the beneficiary on the system in branch. And he thought that the branch could have helped this issue being avoided. In a call with HSBC following the final response a member of staff had told the director that only the payment on 25 April 2022 had been recalled correctly. M had made the payments again and should be compensated for the level of service. But for the payments to be refunded the beneficiary would need to agree. And he'd contacted the third-party bank involved which said that this hadn't happened. Addressing this wasn't something this service could do and would be a matter for M to pursue.

M didn't agree and wanted the complaint to be reviewed. The director said that he didn't make these payments and the outstanding amount was £1,265. He didn't have access to online banking at the time and this mandate had been removed months earlier. M would likely lose its contractor if it pursued this, and the contractor had said that this money wasn't in the account that had been closed. M wanted a full refund.

My provisional decision

I issued a provisional decision on 27 March 2023. I set out below what I said.

I wanted to say a bit more about what I understood happened. From the information provided by HSBC I could see that the 'old' mandate for this contractor was removed by M from internet banking in August 2021. And that M had made subsequent payments to the new details without incident. I'd seen copies of the signed payment authorities dated 7 April 2022. And I could also see evidence that for reasons that are unclear both the old and new payment details in relation to this payee could be seen on a branch system. It seems that M arranged these forward payments and 12 others for different beneficiaries at the time.

There is information from the branch dated 2 September 2022 about the director's visit. And that the payments were made when the beneficiaries were confirmed. It was said that he'd confirmed which of the two beneficiaries relating to the three payments in dispute should be used. I understood that the payments were disputed on 6 May 2022. And I'd listened to a later call Mr M had with a member of staff on 6 September 2022. He was clearly told that only one was recalled correctly and this was the one refunded and the others hadn't been. The file notes from HSBC also state only one request to recall each payment could be made. Our investigator later contacted the third-party bank and further refund was 'denied'.

My assessment

I didn't doubt that the branch confirmed the beneficiaries with the director. The name on both mandates for the payee here was broadly the same. I was satisfied that had the two been put to the director he'd have been confused and said use the current one. That ought to have been established from more recent payments with the help of branch staff. And I considered he intended to make a payment to the current mandate.

It had been possible to recover a correctly recalled payment. So, it seems most likely that the other payments had a good chance of successful recall at the time too. Repayment of one certainly hadn't been refused at that stage. And as the incorrect details were used for the others I didn't consider that HSBC took the reasonable efforts I'd expect to recall a misdirected payment in line with industry guidance.

M says it has made the payments again and so it is out of pocket. Had that arisen only from the issue in branch I might have come to the view that this was a shared responsibility between M and HSBC. But when I also took into account the error in making the recalls I found that the liability for M's loss is fairly down to HSBC. I wouldn't think it reasonable for M to be required to take legal action against one of its contractors who in any event said that they didn't have money in an account that had been closed. And such costs may in any event outweigh the amounts involved. I appreciated that HSBC will now have limited options regarding these payments and that's for the reasons I gave above.

In light of this I thought that M should receive a refund for the payments provided it can show that it made them *all* again (the full £1,785) so it isn't unduly enriched. It may helpfully do that in response to my provisional decision so that this can be resolved. Given the circumstances I'd set out above I didn't think any further compensation for inconvenience for M is fair and reasonable.

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.

HSBC said it didn't have any further comments to make and that it would make the refund.

M provided bank statements and had highlighted the duplicate payments it made. It said that it hadn't received the payment of £400 our investigator has referred to or heard from HSBC since then. M also said it had overpaid charges and interest on the account since the funds were returned and it said it could provide these if I required them.

I've looked closely at the statements and am satisfied that M has shown it paid an equivalent amount to the correct beneficiary's details at the relevant time. Having said that I also note based on the timing of these payments that there may have been an opportunity for M to alert HSBC to the issue earlier although I understand the director was on holiday.

With that in mind I won't be looking into any related charges or interest. And I'm afraid that I explained in my provisional decision why in all the circumstances I wouldn't be awarding any further compensation for inconvenience than the £75 HSBC had already paid. I now also take into account what I've said above about the duplicate payments, and I won't be departing from my provisional decision. I consider this to be a fair resolution.

My final decision

My decision is that I uphold this complaint and I require HSBC UK Bank Plc to pay M £1,265 as it has now agreed to do.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 25 May 2023.

Michael Crewe
Ombudsman