

The complaint

Mrs A complains that Clydesdale Bank Plc, trading as Virgin Money, removed funds from her account in error.

What happened

In February 2024, Mrs A says she sold some goods to a customer. She says she delivered the goods to the customer and the customer made a payment of £5,500 into her Clydesdale account to pay for them. But a few days later, Clydesdale then removed what was left of those funds from her account as it said it had received a report that the funds were fraudulent and wasn't satisfied Mrs A was entitled to them.

Mrs A complained to Clydesdale, but it said it had concluded the evidence she had sent of her entitlement to the funds wasn't sufficient to change its decision. So it had sent the funds back to the account they originated from and felt the correct process had been followed here. Mrs A wasn't satisfied with Clydesdale's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They thought the evidence suggested Mrs A was entitled to the funds and so Clydesdale shouldn't have removed them from her account. They recommended Clydesdale return the funds to Mrs A and pay her £150 compensation for the distress and inconvenience this matter had caused. Clydesdale didn't agree with our investigator, so the complaint has been passed to me.

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.

From what I've seen, I think it's likely what Mrs A has said about how the funds came to be paid into her account is truthful. She's said she runs a business providing material for clothing, and that the funds she received were to pay for an order a customer placed with her and which she delivered.

The statements for her account I've seen show a number of other payments into her account with references that appear to match a business providing material for clothing – which supports that this is a business Mrs A runs. She's also sent us a copy of an itemised invoice for the order, matching the name of the customer and the amount of the payment made into her account. And she's sent us a delivery note showing the order was delivered – signed by the customer, several other invoices for previous orders made by that customer, an invoice from her supplier for the goods she bought for the order, and proof of a text message conversation she had with the customer.

So based on the evidence I've seen, I think it's likely she was involved in the sale of materials to a customer and received this payment in exchange. And so it's unlikely she was aware she was the recipient of fraudulent funds.

Clydesdale received notice that the payment Mrs A received contained fraudulent funds, and so I think it was reasonable for it to investigate this. It asked Mrs A to provide evidence of where the payment into her account came from, and I appreciate that Mrs A was initially only able to provide relatively little evidence of this. But her explanation of what happened and why she was struggling to find more evidence remained consistent throughout, and Clydesdale doesn't appear to have engaged with her or clearly explained what was happening or what kind of further evidence she could provide. And if it had done so, I think it would have received further evidence of what happened – as our service did when we spoke to Mrs A. So I don't think Clydesdale has treated Mrs A fairly.

Clydesdale did receive an indemnity from the bank that sent it notice of the fraudulent funds, but indemnities don't create specific obligations of financial businesses – they are agreements between the parties. It's still up to Clydesdale whether it returns the funds or not. And, in this case, I don't think it was fair for it to return the funds to the sending bank as Mrs A had a credible claim to the ownership of the funds. And as she had already ordered and delivered the materials, she had doubly lost out.

So I don't think it was reasonable for Clydesdale to remove the funds from Mrs A's account and I think it would now be fair for Clydesdale to return the funds it removed in full.

I also think Clydesdale's lack of engagement with Mrs A during this process caused her significant distress and inconvenience. And, from what I've seen, I think a payment of £150 would be fair and reasonable compensation for the distress and inconvenience this caused.

My final decision

I uphold this complaint and require Clydesdale Bank Plc, trading as Virgin Money, to:

- Return the £3,044.17 to Mrs A's account
- Pay Mrs A 8% simple interest on this refund, from the date the payments were removed until the date of settlement
- Pay Mrs A £150 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 3 December 2024.

Alan Millward
Ombudsman