

The complaint

Mr K is unhappy that Bank of Scotland plc (trading as Halifax) were unable to recover a payment he sent in error and with the level of customer service he received.

What happened

On 3 February 2024, Mr K made a faster payment using his online banking for £1,300. He intended to transfer these funds to an account in his own name with another banking provider.

However, Mr K accidentally transferred the funds to the wrong account, a payee he'd made a payment to in the past. He explained he wasn't wearing his glasses at the time of making the payment and chose the wrong payee from the list of payees. He explained there was no option for him to cancel the transaction within the mobile banking app.

Mr K contacted Halifax on 4 February 2024 and asked for the funds to be returned to him. He was told that the payment couldn't be cancelled since the funds had left his account. Halifax explained to him that they could raise a payment in error claim which would take 20 working days.

Since Mr K said he required the money as soon as possible, Halifax suggested that he get in contact with the beneficiary directly. Mr K said he'd try to do so but asked Halifax to still raise the payment in error claim which they did. They told Mr K not to contact them before 20 working days. Instead, they'll be in touch if they need anything further from him.

Halifax sent Mr K a letter on 1 March 2024 explaining they'd been unable to recover the money. Mr K called Halifax on 4 March 2024 for an update since he hadn't heard back. Halifax explained they'd sent a letter with the outcome on 1 March 2024 which he should receive shortly.

Mr K raised a complaint as he felt he wasn't treated fairly. He felt he'd been kept waiting with no communication. He explained he'd tried to contact the beneficiary directly, but they hadn't been in touch in two years. He said the beneficiary had changed their number and he didn't know where they lived. Mr K said that he needed his money back for his rent.

Halifax didn't uphold Mr K's complaint. They said that they'd raised a case to attempt to recover the funds when he'd sent the payment to the incorrect recipient. They explained this was done on a best endeavours basis and could take up to 20 working days. They said that the beneficiary bank wasn't able to recover the funds from their customer, so they sent Mr K a letter at the end of the recovery period to advise him of the outcome.

Mr K remained unhappy and referred the complaint to our service. Our investigator said that Halifax acted as we'd expect by attempting to recover the funds from the beneficiary bank as soon as Mr K contacted them. He didn't think Halifax could be held liable for the funds since they didn't make an error with the payment.

But our investigator thought that Halifax should've explained the payment in error claims

process to Mr K better. He explained Halifax failed to make it clear to Mr K that the attempt to recover funds would be completed on a best endeavours basis and to have informed Mr K that there was a chance he wouldn't get his money back. He recommended Halifax pay Mr K £100 compensation for the distress and inconvenience caused. Halifax accepted our investigator's recommendation. Mr K disagreed and asked for an ombudsman's final decision.

Mr K accepted he made a mistake in transferring funds to the wrong account, but he feels Halifax should still be responsible to refund him due to their lack of customer service. He explained he was also unhappy about Halifax's weak banking system as there was no option for immediate cancellation.

He says he wasn't able to receive help from Halifax as the transaction was made out of office hours when their helplines weren't open. He believes that customer service and support should be available to all customers, all of the time. And thinks it would've been possible to stop or cancel the transfer as the funds were showing as pending for two days and only debited from his account on 5 February 2024.

He didn't feel Halifax put enough effort towards helping him recover his funds. He wanted to add to his complaint that Halifax didn't help him find the payee's contact details. He also said that it took Halifax over 30 days to provide a response and only did so when he contacted them.

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.

The terms and conditions of Mr K's account explain that Halifax aren't responsible for providing a refund if they're given the incorrect details and a payment goes to the wrong person. They also explain that Halifax will try to recover the payment but may charge reasonable costs for doing so.

By Mr K's own admission, it was his error that led to the payment being sent to the wrong account. Given this, I can't fairly ask Halifax to reimburse him the money he's lost as a result.

I appreciate Mr K feels that Halifax is responsible for his loss as he feels their bank systems are weak since the payment couldn't be cancelled or stopped and due to their customer services helpline not being open.

But it's important for me to explain that as an informal service, it isn't our role to interfere with the commercial judgement of businesses on how they run their day-to-day operations. This includes telling them how to operate their banking systems and setting out the timings they should open their customer services helplines. These are legitimate commercial decisions Halifax are entitled to make.

Focussing on the particular circumstances of this case, the transaction Mr K made was a faster payment. The very nature of faster payments means they can't be cancelled or recalled once they're made. This isn't a limitation of Halifax's banking system but instead how faster payments work as the funds are made available to the beneficiary almost immediately. The terms and conditions of Mr K's account also explain that faster payments can't be cancelled.

With this in mind, even if Mr K had called Halifax immediately after making the transfer,

rather than the following day when their customer services helpline was open, the payment still couldn't have been stopped.

When a payment is made in error, the relevant regulations say that a payment service provider should take reasonable steps to recover funds. There are also procedures which set out that the sending payment services provider must contact the receiving payment services provider within two working days of being told about a mistake. The process also allows 20 working days as the period for recovery.

I can see Halifax promptly contacted the beneficiary bank the same day following Mr K's phone call on 4 February 2024. This is within the two working day timescales. The notes show that the beneficiary bank contacted Halifax and explained they weren't able to protect the funds in the beneficiaries account as there was insufficient balance. They said they'd update Halifax again at the end of the recovery period.

Unfortunately, Halifax didn't receive any further responses from the beneficiary bank within the 20-working day recovery period. Halifax wrote to Mr K on 1 March 2024, which is within the 20 working days timescale. So, I don't think there were any delays in Halifax telling Mr K the outcome of his claim.

All things considered, I'm satisfied Halifax made reasonable efforts to recover Mr K's funds and followed the expected timescales within the procedures. Since Halifax have done what I'd reasonably expect them to in the circumstances, I can't fairly ask them to reimburse Mr K the funds he transferred to the incorrect recipient.

That said, I don't think Halifax did enough to explain the payment in error process to Mr K when he raised the claim. He left the call under the impression that he'll be receiving his funds back within 20 working days.

It's reasonable to expect that Halifax would've made it clear to Mr K that the process was an attempt to recover his funds on a best endeavours basis. I think this was particularly important since Mr K had made Halifax aware that he needed these funds to pay his rent. I think it would've helped to manage Mr K's expectations that there was a possibility he wouldn't receive his money back.

Taking this into account the impact on Mr K, I think it's fair and reasonable for Halifax to pay £100 compensation to reflect the distress and inconvenience he was caused.

Mr K has also mentioned that he's unhappy that Halifax hasn't provided him with the contact details of the beneficiary. Since this didn't form part of the initial complaint that Mr K raised with Halifax and then brought to our service, it's not something I've considered as part of this decision. As our investigator has explained already, if Mr K is unhappy about this, he'll need to raise this separately.

My final decision

For the reasons explained above, my final decision is that Bank of Scotland plc (trading as Halifax) should pay Mr K £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 October 2024.

Ash Weedon
Ombudsman