

The complaint

Mr S is unhappy that The Royal Bank of Scotland Plc ("RBS") cancelled a cheque that he issued.

What happened

On 30 September 2023, Mr S issued a cheque for £600,000 to a well-known government backed financial institution to invest in a twelve-month product offered by that institution which offered an interest rate of 6.2%.

The cheque was flagged by RBS's automated fraud prevention systems for further checks and prevented from completing. Then, on 4 October 2023, RBS tried to contact Mr S but were unable to do so. And because RBS weren't able to verify the authenticity of the cheque with Mr S, they cancelled it and returned the money to Mr S's account. RBS then sent a letter to Mr S advising him of what had happened.

Mr S received the letter from RBS on 7 October 2023. He contacted the financial institution he'd wanted to invest with but found that the product he had wanted to invest in had been withdrawn by that institution the day before. Mr S wasn't happy about this and raised a complaint with RBS as he felt that by not allowing the initial cheque to complete, RBS had caused him to incur a significant financial loss.

RBS responded to Mr S but didn't feel they'd acted unreasonably by first blocking and then cancelling the cheque as they had. However, they did pay £100 to Mr S as a good will gesture for any trouble or upset the matter may have caused him. Mr S wasn't satisfied with RBS's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel that RBS had acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Mr S remained dissatisfied, so the matter was escalated to an ombudsman for a final 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.

I issued a provisional decision on this complaint on 13 November 2024 as follows:

Automated fraud prevention systems are used by banks to flag account activity that may be of concern and to prevent further usage of an account where it's felt that there is a possibility that fraud may be potentially occurring.

Indeed, it must be noted that banks such as RBS have an obligation to employ such systems to comply with banking regulations which require banks to have systems in place to protect their customers' accounts, as much as possible, from acts of attempted fraud.

However, RBS also have an obligation to complete instructions given to them by their

account holders, including the payment of cheques. And because of this I feel that it would only be fair for RBS to not allow Mr S's cheque to have completed if there was a reasonable cause for RBS to have believed that Mr S's money may have been in danger.

RBS have explained that it was size of the cheque being issued by Mr S alone that prompted them to block the cheque until Mr S could be contacted to confirm its authenticity. I can understand why the large value of the cheque might have given RBS cause for concern. But the size of a cheque in and of itself doesn't necessarily mean that fraud or a scam might potentially be occurring.

I've asked RBS to confirm what other indicators they had, besides the large value of the cheque, that they feel indicated that Mr S might be in the process of being defrauded or scammed here. RBS have confirmed that there were no other such indicators, and that their actions were based solely on the large value of the cheque in question. And this means that, at the time that RBS chose to cancel the cheque, there was nothing to indicate that the cheque in question wasn't a legitimate cheque issued by Mr S, or to suggest that Mr S was in the process of being scammed.

Indeed, as explained, in this instance, the cheque was being issued to a well-known government back financial institution. And I also note from Mr S's RBS account statement that Mr S had received the amount of £600,000 into his account on 25 September 2023, such that the issuance of that amount doesn't seem illogical or unreasonable to me.

RBS have said that they tried to call Mr S twice on 4 October 2023, at 11:20 and at 13:27, to verify the cheque, and that because Mr S didn't answer either of those calls, they made the decision to cancel the cheque and return the money to Mr S's account. But it's understandable to me that Mr S might not have been available to speak during the relatively small window that RBS tried to call him. And I feel that RBS could potentially have mitigated against what happened here by trying to contact Mr S over a longer period than they did.

Ultimately, I don't feel that it was reasonable that RBS cancelled Mr S's cheque, because I don't feel that there was any indication that Mr S might be in the process of being defrauded (no evidence of this has been provided) that overrode RBS's obligation to carry out Mr S's instruction regarding the cheque.

Of course, it's for RBS to decide how they act regarding such a large value cheque. But I feel that by choosing to cancel the cheque as they did, that RBS tacitly accepted both the risk that Mr S might incur a loss because of their actions, and the liability to reimburse Mr S for any loss that he incurred. And I don't feel that it would be fair to expect Mr S to bear the loss for RBS's decision to cancel the cheque.

As such, I'll be provisionally upholding this complaint in Mr S's favour and instructing RBS to reimburse any losses that Mr S may have incurred resultant from their decision.

Mr S has explained that following RBS's failure to process the cheque, the £600,000 remained in his RBS account, which appears to have paid no interest, until 2 November 2023 while he sought an alternative investment.

Then, from 2 November 2023 until 6 December 2023, Mr S was able to move the money and achieve a 3.75% return, with interest accruing from 4 November 2023 onwards.

The £600,000 then returned to the RBS account, where it again no interest, until 19 December 2023, at which time Mr S was able to invest the money with the same well-known government back financial institution he had initially wanted to invest with.

Mr S's RBS account movements corroborate Mr S's version of events here. And Mr S has provided a fact sheet for the short-term investment he was able to move his money to in November 2023 that confirms the interest rate he benefited from at that time.

Had the cheque been paid, so that Mr S had been able to invest in the bond, he would have earned interest on the £600,000 at 6.2%. I therefore calculate the interest Mr S didn't earn, because RBS cancelled the cheque, as follows:

- *6.2% for 34 days for the period 1 October to 3 November 2023 – equating to £3,465.*
- *2.45% (6.2% - 3.75%) for 33 days for the period 4 November to 6 December 2023 – equating to £1,329.*
- *6.2% for 13 days for the period 7 December to 19 December 2023 – equating to £1,324.*

The combined total for these losses is £6,118. And so, I provisionally uphold this complaint in Mr S's favour and instruct RBS to reimburse that amount - £6,118 - to him.

Furthermore, as well as the losses that Mr S has incurred, it's also clear that he's experienced a degree of upset and inconvenience that he reasonably shouldn't have here. And while RBS have paid £100 to Mr S, as a gesture of goodwill, I don't feel that this fairly reflects the trouble and frustration that Mr S has unreasonably incurred.

As such, my provisional decision also includes that RBS must pay a further £250 to Mr S, on top of the £100 that they've already paid. This takes the total compensation amount to £350, which I feel more fairly compensates Mr S for his poor experience surrounding this matter.

Mr S responded to my provisional decision and confirmed that he accepted it. RBS also responded to my provisional decision and asked me to consider their terms and conditions, specifically clause 2.2, which includes that RBS will delay or refuse to act on an instruction if they feel the instruction is unusual and that want to carry out further checks, such as contacting the issuer for more information.

Additionally, RBS noted that while the cheque was issued to a well-known government backed financial institution, they didn't know at that time whether Mr S was in control of his account or had been asked to move his £600,000 by a third-party.

I'd like to reassure RBS that I have taken the points they've raised into consideration, both when arriving at my provisional decision and at this time. However, my position on this matter remains the same. And this is because I feel that it isn't unusual for an account holder who has received £600,000 into his account a few days previously to then look to move that amount to a well-known government backed financial institution for safe reinvestment.

Additionally, I don't feel that there was any indication that Mr S might not have made the instruction to move his money to the well-known government backed financial institution himself, or that he was being scammed into doing so by a third-party. And I'm also unaware of any known scams that involve transferring money to the well-known government backed financial institution in question.

RBS also note that the last date of sale for the product that Mr S wanted to invest in was 5 October 2023, and that they tried to contact him before that date, on 4 October 2023, and only made the decision to cancel the cheque when their contact attempts were unsuccessful.

However, as I explained in my provisional decision, it's understandable to me that Mr S might not have been available to speak during the relatively small window that RBS tried to call him. And I feel that RBS could potentially have mitigated against what happened here by trying to contact Mr S over a longer period than they did.

All of which means that, after taking RBS's objections under consideration, my position on this matter remains unchanged. The following paragraphs, quoted from my provisional decision, provide a succinct explanation of why I feel RBS have treated Mr S unfairly here:

Ultimately, I don't feel that it was reasonable that RBS cancelled Mr S's cheque, because I don't feel that there was any indication that Mr S might be in the process of being defrauded (no evidence of this has been provided) that overrode RBS's obligation to carry out Mr S's instruction regarding the cheque.

Of course, it's for RBS to decide how they act regarding such a large value cheque. But I feel that by choosing to cancel the cheque as they did, that RBS tacitly accepted both the risk that Mr S might incur a loss because of their actions, and the liability to reimburse Mr S for any loss that he incurred. And I don't feel that it would be fair to expect Mr S to bear the loss for RBS's decision to cancel the cheque.

All of which means that my final decision here is that I uphold this complaint in Mr S's favour on the basis as outlined in my provisional decision.

Putting things right

RBS must pay £6,118 to Mr S – the amount of interest that Mr S didn't earn because RBS cancelled his cheque.

RBS must also pay a further £250 to Mr S as compensation for the upset and inconvenience he's incurred here. This is in addition to the £100 compensation that RBS have already paid Mr S, so that the total compensation amount is £350.

My final decision

My final decision is that I uphold this complaint against The Royal Bank of Scotland Plc on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 December 2024.

Paul Cooper
Ombudsman