

## The complaint

Mrs K complains that a cheque she submitted to Killik & Co LLP to fund her investment ISA was rejected. This resulted in Mrs K being unable to utilise her ISA allowance for the tax year which she'd now like to be compensated for.

Mrs K is supported in the complaint by her husband, but for simplicity, I'll refer to all submissions as having come from her.

## What happened

On 15 March 2024, Mrs K wrote a cheque for £20,548.70 to fund her Killik investment ISA. The cheque was written from her current account with a firm that I shall call Bank A. As Killik outsource the processing of their financial transactions, Mrs K made the cheque payable to a business that I shall call Firm P.

Firm P use the services of another organisation to provide clearing capabilities for them, a business that I shall call Bank M. After receiving Mr K's cheque, Bank M made the decision to reject and destroy the cheque on 21 March 2024 because they thought the amount written on the cheque was unclear.

After being informed by Firm P that the cheque had been rejected, Killik emailed Mrs K on 22 March 2024 and then telephoned her on 25 March 2025 to update her. As Mrs K was away on holiday at the time, she explained that she didn't have access to her cheque book and she didn't use telephone or online banking, so wouldn't be in a position to send funds until the new tax year.

Mrs K raised a complaint with Bank M who said after looking into matters, they were right to reject the cheque because it was unclear and their procedures dictate that there mustn't be any uncertainty surrounding the value.

Shortly afterwards, Mrs K also decided to formally complain to Killik. In summary, she said that she didn't think the cheque should've been rejected. Mrs K went on to say that because her cheque wasn't processed, she'd missed out on making use of her 2023/2024 ISA allowance. In addition, Mrs K said that as Bank M were acting as a sub agent to Killik and Killik should have noticed if there was a problem with the cheque in advance, they were responsible for the lost ISA allowance and as such, should recompense her.

After reviewing Mrs K's complaint, Killik concluded they were satisfied they'd done nothing wrong. They also said, in summary, the decision to reject the cheque was Bank M's and as they'd submitted it in good faith, acted in a timely manner and communicated their outcome offering alternative methods of payment to secure the ISA allowance, they weren't upholding the complaint.

Mrs K was unhappy with Killik's response, so she referred her complaint to this service. The complaint was then considered by one of our Investigators. He concluded that Killik hadn't

treated Mrs K unfairly because he could understand why Bank M's imaging systems hadn't been able to read the cheque. And, as Killik had contacted Mrs K promptly after being informed of the cheque rejection, he didn't think they should be held accountable for the matter. Mrs K, however, disagreed with our Investigator's findings. In summary, she said:

- In her opinion, the destruction of the cheque on Bank M's part was groundless and does not seem to have been considered.
- Killik is vicariously liable for the actions of Bank M or were negligent in not noticing that the cheque might be defective.
- Before Killik sent the cheque to Firm P, they would've had to check the amount on it and therefore, given they didn't notice any defect supports the contention that there was nothing wrong with the cheque.
- It seems clear that the calibration, control and monitoring of Bank M's systems are at fault along with their subsequent supervision.
- She doesn't agree that Killik did enough to find a reasonable solution to the problem.
- For Killik to avoid any liability, there would need to be a decision that Bank M was entitled to both reject and destroy her cheque, and secondly, that Killik would not have been able to notice such a defect.
- Killik and Bank M have been made well aware that she intended taking this matter further but have made no attempt to engage whatsoever to try and resolve the issue.
- No comment has been made on the financial loss of £4,584 that she suffered.
- She believes that this service should have considered her complaint against Bank M.
- Any financial loss could have been avoided if the original cheque had still been available (rather than being destroyed) and sent to her for any amendment and initialing.

Mrs K then asked the Investigator to pass the case to an Ombudsman for a decision.

After carefully considering the complaint, I decided to issue a provisional decision on the case. I explained that whilst I was minded to agree with the outcome of our Investigator's initial view, I wanted to add wider reasoning to his explanation. The window gave both parties the opportunity to consider my comments and provide any feedback before I reached my final decision.

#### What I said in my provisional decision:

I have summarised this complaint in less detail than Mrs K has done and I've done so using my own words. The purpose of my decision isn't to address every single point raised by all of the parties involved. If there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome. No discourtesy is intended by this; our rules allow me to do this and it simply reflects the informal nature of our service as a free alternative to the courts.

My role is to consider the evidence presented by Mrs K and Killik in order to reach what I think is an independent, fair and reasonable decision based on the facts of the case. In deciding what's fair and reasonable, I must consider the relevant law, regulation and best

industry practice. Where there's conflicting information about what happened and gaps in what we know, my role is to weigh up the evidence we do have, but it is for me to decide, based on the available information that I've been given, what's more likely than not to have happened. And, having done so, I'm not planning on upholding Mrs K's complaint – I'll explain why below.

For clarity, I think it's important that I should set out the scope of my decision and more specifically, who it is about. I should be clear that there are four businesses involved in this chain of events: Killik, Bank A, Firm P and Bank M. For the purposes of this decision, I am only considering the actions of Killik and whether they acted fairly and reasonably. From what I've seen, Mrs K originally submitted a complaint to Bank A (which is her own personal bank upon which the cheque was drawn from). They explained that they had no part in the cheque's rejection. So, Mrs K then complained to Bank M. After reviewing the complaint, they said that despite Mrs K's view that they were too quick to reject and destroy the cheque, they felt they'd acted in line with their policy.

Mrs K then raised a complaint with this service about the actions of Bank M. In response, Bank M stated that they were of the opinion that Mrs K was not an 'eligible customer' under the regulator's DISP 2.7.6 rule. After looking into the facts of the case, our Investigator agreed with Bank M's view that as Mrs K wasn't their customer and they had only provided banking services to Firm P, her complaint about Bank M wasn't one that this service could consider. Mrs K then made a complaint to Killik and to Firm P about the issue. Killik provided the response on behalf of both businesses, saying that they weren't upholding her concerns. I'll first address the points raised against Killik.

It's important to be clear what was expected of Killik in this chain of events. Killik aren't a bank, they don't offer payment clearing services and they aren't allowed to hold client money. But, to help them process customer payments that are subsequently used for investments, as I've already explained, they use the services of Firm P. I'd therefore expect that when Killik receive a cheque, they pass it on to Firm P promptly for processing. I'd also expect that if problems arise, they contact the consumer swiftly and assist them in finding a solution to remedy any roadblocks and that they provide clear and concise communications to the consumer throughout. So, for the avoidance of any doubt, the decision on whether to clear a cheque isn't down to Killik – they have no say whatsoever in the matter and it's entirely Bank M's decision.

I've looked closely at the timeline of events to determine whether Killik did enough:

- 11 March 2024 – Killik email Mrs K reminding her that she still has time to make use of her ISA allowance for the 2023/2024 tax year.
- 15 March 2024 – Mrs K signs the cheque and posts it to Killik.
- 18 March 2024 – Killik email Mrs K to confirm they've received the cheque at their office. They then pass the cheque on to Firm P.
- 21 March 2024 – Firm P email Killik and explain that Bank M have rejected Mrs K's cheque. That's the same day that Bank M informed Firm P.
- 22 March 2024 – Killik email Mrs K, explaining the cheque has been rejected and ask her to send a new one to their Hampstead office.
- 25 March 2024 – Killik telephone Mrs K to ensure that she knows the cheque has been rejected and to discuss alternate payment arrangements.

It seems to me that from the point Killik received Mrs K's cheque, they sent it for processing promptly, and from the time that Firm P informed Killik of the issue, Mrs K was notified by the next day (which was a Friday) by email. Killik then telephoned Mrs K on the Monday to identify other ways in which she could make the payment to ensure her ISA allowance wasn't lost. I can't conclude therefore that Killik didn't act in a timely manner throughout the chain of events. At the point Killik telephoned Mrs K, there were two full weeks until the end of the tax year, which in my opinion was sufficient time to resolve the issue by posting in a new cheque. Unfortunately, as Mrs K was away on holiday, she was without her cheque book so couldn't send Killik a new one. Whilst Killik were able to suggest alternative payment options such as telephone banking or an online payment, Mrs K explained that's something she doesn't subscribe to. Arguably, had the timing of Mrs K's holiday been different and/or had she had her cheque book with her, this complaint would likely never have come about. I do think that Killik did enough to signpost a variety of means around how Mrs K could make the ISA payment before the tax year end. It's not their fault that she wasn't able to make use of any of them in light of the particular timing of this case and where she was – but that's not Killik's fault.

In her correspondence with both Killik and this service, Mrs K has stated that she's of the view they could have loaned her the ISA monies until such time as she was able to send them a new cheque. However, it's not quite that simple; that's because according to the Financial Conduct Authority register (which sets out what activities regulated firms are permitted to undertake), Killik aren't licensed to loan funds to customers so this could never have been an option.

Mrs K has stated that in her opinion, the destruction of the cheque on Bank M's part was groundless. She went on to say that had they sent her the cheque back, she could've altered and initialled it. However, when banks receive cheques, typically once it's been uploaded on to their imaging portal, it's destroyed after a short time and that's because in 2019, the Image Clearing System was introduced that brought about the digital exchange of cheque images between banks and building societies. It was designed to speed up cheque processing times in the UK. I also suspect that even if the paper cheque was retained, the practicalities of getting it back to Mrs K in time before the tax year end (and back to Killik again) might not have been as straightforward as she thinks, especially as she was on holiday at the time. I can't therefore conclude that Killik have done anything wrong by not pursuing that particular course of action.

Whilst Mrs K states that Killik should've spotted there was an error with her cheque, I've already explained that they're not a bank nor are they an expert in this area (and I wouldn't expect them to be). So, whilst I would expect Killik to ensure that any cheque received was free from any obvious errors, such as ensuring the correct payee was recorded and anticipated amount was present, beyond that I wouldn't expect them to second guess what a bank's cheque imaging system may conclude.

In her response to our Investigator's view, Mrs K said that no comment has been made on the financial loss of £4,584 that she suffered. I want to assure Mrs K that I very much gained a sense of how disappointed she is with having missed out on being able to utilise her ISA allowance. But, given I'm not planning on upholding her complaint, this isn't something that I need to comment on further. For the avoidance of doubt, that doesn't necessarily mean I agree with Mrs K's calculations.

Whilst leaving funding an ISA until three weeks before the tax year end isn't an unreasonable window of time, it does mean there's a danger that any problems which arise can't be ironed out in time and that's what's happened here. It's up to Mrs K to ensure that she provided Killik with appropriate payment in advance of the ISA deadline that Bank M was satisfied with, to ensure that her monies were credited to her account in good time and

on this unfortunate occasion, that didn't happen. Killik had no say in the rejection of Mrs K's cheque and I'm satisfied that they acted fairly and reasonably when they found out Bank M weren't accepting it. I don't believe that I need to make a finding on whether Mrs K's cheque was clear or not because as I've already found that Killik had no say in whether to process the cheque or not, it wasn't a decision that they made (it was Bank M's), so it's not one that my decision could reverse.

As I've not been able to conclude that Killik have done anything wrong, it therefore follows that I'm not upholding Mrs K's complaint.

For completeness, whilst this decision is about the actions of Killik, I will comment more broadly on the other points that Mrs K has made. As I've already explained, the crux of her complaint is that Bank M were wrong to reject her cheque. But, I think it would help if I outlined general banking practices that may shine a light on why Bank M is likely to have reached its decision. Banks can dishonour cheques for a variety of reasons and in this instance, Bank M has done so because they believe there's a mismatch between the numbers and the wording of the amount.

However, whilst I've not looked specifically at Bank M's terms and conditions, all banks have both their own and the UK cheque clearing system rules that permit them to reject a cheque at any point whilst it's working its way through the clearing system. The latter set of rules (and most likely Bank M's) require information on a cheque (amount, date, payee, signature) to be clear and unambiguous – but these aren't just Bank M rules, they're recognised across the industry. And, much of the process is now automated and as I've already mentioned, processed by image clearing. A cursory glance online suggests that there's tens of thousands of cheques that go through the imaging system each day, so it's very much a highly automated system. Given the volume of cheques that are processed, those rules allow banks to reject any cheques that they believe don't meet those standards. So, given the uniformity of those rules, it doesn't necessarily follow that just because Bank M dishonoured the cheque, Bank A would've cleared it. Importantly, I'm not saying that Bank M were necessarily correct in their decision to reject the cheque, I'm simply saying that they hold the right to reject the cheque if they so wish.

Mrs K has made reference to the Payment Services Directive, but that piece of legislation specifically excludes cheques and paper-based payment instruments. Instead, cheques are covered under the Bills of Exchange Act 1882, which is the core legal framework for cheques in the UK along with the UK's cheque clearing rules. Whilst I'm not aware that the FCA has cheque specific rules, banks are bound by the regulator's Principles for Business – especially their duty to treat customers fairly. That means if a cheque is rejected, the bank should give a clear explanation, and the customer should know what the steps are to take to put things right. And, it seems to me that this has happened here.

Finally, Mrs K says that she also believes this complaint should be lodged against Bank M. Whilst Bank M have already considered a complaint from her, Mrs K is not a customer of Bank M, Firm P is. In my opinion, that doesn't make her an eligible complainant under the FCA rules (DISP 2.7) that govern this service.

#### Responses to my provisional decision

After receiving the provisional decision, Killik didn't provide any further comment.

Mrs K, however, explained that she didn't agree with the provisional decision. She also said, in summary:

- This service should reconsider whether they have jurisdiction on the matter over an

intermediary bank - Bank M.

- If this service maintains the position that it doesn't have jurisdiction on the matter (over Bank M's actions in this chain of events), it needs to consider Killik's potential vicarious liability.
- It is still necessary to consider whether or not Bank M was justified in both rejecting and destroying her cheque.
- No one at this service has been able to come up with anything to justify the cheque rejection, other than to state that Bank M retains the right to do so.
- The number of cheques going through the imaging system today is by far much fewer than in the past so when there's a problem, it's not unreasonable to expect that in those relatively few instances, an individual supervises the system.
- The rejection is not that unusual and seemingly quite capricious and matter of chance.
- Even if there were some reason to reject the cheque, that still would not, in her view, justify its immediate destruction.
- Had the cheque not been destroyed, it could have been posted to her in Europe whilst she was on holiday.
- Killik needs to check the figures on the cheques that they receive if only to ensure that ISA limits are not exceeded. Given an adviser at Killik explained that banks are being 'pernickety', they should look at cheques more closely when they receive them, therefore they should be considered negligent in this respect or it's a strong indication that there was nothing wrong with her cheque.
- "If my cheque had been for a few million pounds rather than run of the mill, I suspect there are several ways by which this transaction could have been finalised in time".
- This service were fairly dismissive of a suggestion that a short-term temporary loan could have been made. Whilst she accepted Killik may have been limited in this respect, it doesn't mean that Killik had no facilities to arrange for a temporary loan of less than a month for a comparatively small sum.
- Both Killik and Bank M, or least one of them, should be found liable for the sum of £4,584.93.
- She would be happy for this matter to be looked at again by another Ombudsman.

### **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.

As I explained in my provisional decision, there are four businesses involved in this chain of events: Killik, Bank A, Firm P and Bank M. For the purposes of this decision, I am only considering the actions of Killik and whether they acted fairly and reasonably.

Killik use the services of a processing company (Firm P) to handle payments to them, who then pass all cheques to Bank M for actioning. Both Firm P and Bank M are separate legal entities not owned or controlled by Killik. Mrs K states that Killik is liable for the actions of Bank M because of the concept of vicarious liability. However, the relationship between Killik and Firm P is one of outsourcing, not employment. The important factor here is that Killik are prohibited from holding client money, so they rely on a third-party processor (Firm P) to handle their payments. That regulatory structure means Killik cannot supervise or intervene on how cheques are banked or handled as it's not part of their authorised functions.

It was Bank M that made the decision to reject the cheque based on the words and numbers not matching (in their opinion). And, Killik didn't instruct, authorise or influence how the cheque was handled. Importantly, it's Killik's duty to facilitate the payment, not to guarantee the acceptance of Mrs K's cheque by a third-party bank – Killik have no say whatsoever in the matter (it's entirely Bank M's decision). I'm therefore satisfied that the chain of liability is broken.

But, that doesn't mean Killik don't have responsibilities; when they receive a cheque, I'd expect them to check it for any obvious errors, then pass it on to Firm P promptly for processing but I wouldn't expect them to second guess what a bank's cheque imaging system may conclude. I'd also expect that if problems arose, they'd contact the consumer swiftly and assist them in finding a solution to remedy any issues and provide clear and concise communications to the consumer throughout. And, from the timeline that I set out above, Killik did just that so I can't conclude therefore that Killik didn't act in a timely manner in trying to help Mrs K resolve matters. And, as I've already explained, I'm also satisfied that Killik did enough to signpost a variety of means around how Mrs K could make the ISA payment before the tax year end. But, it's not their fault that she wasn't able to make use of any of them in light of the particular timing of this case and her personal circumstances (where Mrs K was – on holiday).

Despite what Mrs K has said in her response to the provisional decision, I'm still not persuaded that I need to make a finding on whether her cheque was clear or not because as I've already found that Killik had no say in whether to process the cheque or not, it wasn't a decision that they made (it was Bank M's), so it's not one that my decision could reverse.

In her response to the provisional decision, Mrs K has repeated her view that Killik could have loaned her the ISA monies until such time as she was able to send them a new cheque. But, as I've already explained, regardless of the amount, Killik are not licensed by the Financial Conduct Authority to loan funds to customers and had they done, they'd likely find themselves in a position where they would face regulatory sanction for illegal money lending, so despite Mrs K's opinion, this could never have been a realistic pathway that was available to her.

In her response to the provisional decision, Mrs K also stated that this service should reconsider whether it has jurisdiction on the matter over the actions of Bank M. Mrs K has already raised a complaint with this service about the actions of Bank M and in response, they stated that they were of the opinion that she was not an 'eligible customer' under the regulator's DISP 2.7.6 rule. Our Investigator initially agreed with Bank M's view that as Mrs K wasn't their customer and they had only provided banking services to Firm P, her complaint about Bank M wasn't one that this service could consider - Mrs K then made a complaint to Killik about the issue. I've thought very carefully about what Mrs K has had to say on the matter following my provisional decision; for completeness, I have passed the file back to a new Investigator to consider the matter afresh on whether Mrs K's complaint about Bank M's rejection of her cheque is one that this service can consider. The Investigator will write to Mrs K under separate cover on that matter, so I will not comment any further on it.

As I've determined that Killik had no say in the rejection of Mrs K's cheque and that I'm satisfied they acted fairly and reasonably when they found out Bank M weren't accepting it, it therefore follows I'm not upholding her complaint for all the reasons that I've set out above.

### **My final decision**

I'm not upholding Mrs K's complaint and as such, I won't be instructing Killik & Co LLP to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 9 November 2025.

Simon Fox  
**Ombudsman**