

The complaint

Mrs and Mr D complain Bank of Scotland plc (BOS) allowed them to transfer £10,000 to an old account with a third-party bank in error and didn't recover the funds after they reported it.

What happened

Both parties are aware of the issues at hand, so I won't repeat them in detail, but in summary;

Mr D explained he telephoned BOS to transfer £10,000 to another account he held. Mr D used the automated telephone transfer service, explaining he hadn't used this service for a while. He said when he got to the payee question, he wasn't sure which of the two options presented by BOS related to the account he wanted to transfer the funds to. Mr D explained the service didn't give account number details.

Mr D selected an option which referenced his name, explaining he thought he would get a chance to confirm the sort code and account number after selecting this option for the transfer. Mr D said as soon as he selected the name, the system confirmed it had sent the transfer.

Mr D said he didn't initially worry as he thought the funds had gone to the correct account. However, he checked the intended account ten minutes later and discovered the funds hadn't arrived.

Mr D contacted BOS who told him the funds had been sent to a third-party bank account, which Mr D had closed some time ago. He said BOS told him he would have to contact this third-party bank to discover what had happened to the funds.

Mr D said he was initially reassured he would get the funds back, but BOS has subsequently passed him around between departments without retrieving the funds back. He said he hasn't received any further support since BOS closed its complaint and hasn't had any updates.

Mr D said he would like the lost money refunded and for BOS to review its processes for telephone transfers to stop this happening to others.

BOS issued a final response letter. It said it contacted the bank Mr D sent the funds to. This third-party bank had reached out to the customer whose account the funds had credited, but it hadn't received a response from this beneficiary, so had closed the claim.

BOS explained Mr D's next step would be to contact the third-party bank and request the beneficiary's details and seek independent legal advice. BOS didn't uphold Mr D's complaint as it didn't think it had made a mistake.

Our investigator didn't think BOS needed to take any further action. They explained the evidence showed Mr D's old account number with the third-party bank had been 'recycled'. This meant his old account number and sort code was now being used by a new customer, which is why the funds had managed to credit an account and were not sent back.

They explained a payment in error claim had been raised quickly after Mr D contacted BOS and BOS had taken reasonable steps to reclaim the funds.

With regards to the automated process for transferring funds, our investigator explained we couldn't tell a business to change its processes. They thought the system had worked as BOS intended and the payee had been set up by Mr and Mrs D in 2015. They therefore didn't think BOS had made a mistake and didn't recommend upholding this complaint.

Mr and Mrs D rejected our investigator's recommendation, so their complaint has been passed to me to make 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.

Firstly, I was very sorry to read about the difficulties Mr and Mrs D have experienced with the transfer and appreciate this must have been a very worrying time for them. I can see how strongly Mr and Mrs D feel about their complaint. Although I may not mention every point raised, I have considered everything but limited my findings to the areas which impact the outcome of the case. No discourtesy is intended by this, it just reflects the informal nature of our service.

There are two parts of the complaint for me to consider. Firstly, whether there was any error by BOS which led to the misdirected payment, and secondly whether BOS did what it should have to try to recover the funds for Mr and Mrs D.

Dealing first with the process for making automated telephone payments. Mr D doesn't dispute he set up the payee details on the account the funds were sent to. The evidence provided by BOS from its systems shows Mr and Mrs D set up the payee in 2015 and arranged a standing order to this account for a period of time. I understand this was an account held by Mr D, it therefore seems likely Mr D knew this account had closed some time ago, yet the payee details remained on this BOS account.

BOS provided our service with an audit of what occurred during the call to make the transfer. It shows Mr D instructed a transfer of £10,000 and then selected and confirmed the payee name. This payee name was his initials with the second part of the name '*Bill Payment*'. BOS said there was a final option to confirm the details for the transfer, and Mr D selected yes.

BOS said, having reviewed the case and the instruction, it hadn't found anything to indicate it had made an error. It confirmed the automated telephone banking system had worked as it was supposed to, so maintained its original position and didn't uphold Mr D's complaint.

Firstly, I can see how this mistake occurred, and I can appreciate why Mr D feels strongly the process BOS has in place isn't robust and in part led to the error. However, BOS has explained the system worked as designed, and said payment instructions are taken on a payee name basis, not by account number and sort code.

In my experience, it isn't unusual for third-party account numbers not to be fully visible or available on many businesses platforms when making payments or transfers. I am also mindful, in these circumstances, Mr and Mrs D would have been the only parties able to maintain or change payees details on the account. Given this, it doesn't seem unreasonable for BOS not to require further details to confirm the payment was going to the intended beneficiary.

I have also considered the Payment Service Regulations 2017 when writing the decision. When considering the information required for payments, it doesn't prescribe the business must confirm account details, just a unique identifier. In this case, I am satisfied this could more than likely be considered as the agreed and registered payee name.

As I have said, this appears to be how BOS designed its system to work, and it is therefore also a business decision BOS is entitled to make. Businesses make such decisions based

on an array of reasons, including appetite for risk and security. Our service doesn't have the power to change such processes or procedures in these circumstances. As our investigator mentioned, this might be a matter for the regulator to consider, the Financial Conduct Authority (FCA).

I now move on to consider the actions BOS took when it became aware of the misdirected payment. The Credit Payment Recovery (CPR) operating guide explains what both the receiving and sending bank should do when a misdirected payment is reported. BOS has provided evidence it raised a payment in error claim within two hours after the payment was made, in line with this guidance.

BOS explained and provided evidence it identified and contacted the receiving bank and asked it to ring-fence the funds. BOS explained the third-party bank needed to gain debit authority from its customer to refund the payment in these particular circumstances, but couldn't get this authority, therefore sadly couldn't refund the payment. BOS advised Mr and Mrs D of this in writing in early December, in line with the guidance for CPR.

Having considered the evidence provided by BOS I am satisfied it took the actions required to recover the funds. Unfortunately, this recall wasn't successful, and I am not able to direct BOS, in these circumstances, to refund the payment.

I understand BOS has now provided the details of the beneficiary which Mr and Mrs D can pursue for a refund through a legal process. This is the next stage in the CPR process, and what I would have expected BOS to have done in the circumstances.

Having considered carefully the evidence, I am not persuaded on balance BOS can be held liable for the loss Mr and Mrs D have claimed.

In summary, the evidence suggests Mr D authorised the payment to a payee he had set up. BOS undertook the payment as instructed and its systems worked as intended. BOS then tried to recover the funds quickly in line with CPR. Sadly, this wasn't successful.

I would assure Mr and Mrs D I have carefully considered the options and all aspects of this complaint, and I appreciate this is not the outcome they wanted. They have my sympathy for what is an extremely unfortunate set of circumstances which led to the misdirected payment. I wish them well in recovering the funds through other means.

My final decision

For the reasons I have given, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 3 March 2026.

Gareth Jones
Ombudsman