

complaint

Mr F, a sole trader, complains that Clydesdale Bank Plc (trading as Yorkshire Bank) won't credit his account with the funds from two promissory notes.

background

Mr F tried to deposit two promissory notes, each for £10,000,000, to his business account with Yorkshire Bank. It refused to credit this amount because it said these weren't legal tender. It said that the promissory notes only act as IOUs between Mr F and the party that gave them to him.

Mr F says that a promissory note is legal tender under the Bills of Exchange Act 1882 and the Bank Act 2009. So he thinks Yorkshire Bank should accept the ones he presented it.

Our investigator didn't think Yorkshire Bank had acted unfairly in not accepting the notes. He explained that a promissory note is a promise to pay in the future and that the notes Mr F presented to Yorkshire Bank had no immediate value to them. He also thought that the promissory notes were contracts between Mr F and the party who gave them to him. So Yorkshire Bank didn't have to accept them.

Mr F remains unhappy. He thinks that Yorkshire Bank should accept the promissory notes and by not doing so they are acting unlawfully. So the case was passed to me to reach a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Mr F has clearly done a lot of research into what he feels are relevant laws and legislation to support his complaint. Based on this he feels very strongly that Yorkshire Bank should treat the promissory note as a valid payment. But I'm afraid that I disagree with this and will explain why.

Mr F has presented Yorkshire Bank with two 'promissory notes' which states that someone has agreed to pay him £20,000,000. This is a very high amount for one individual to pay another, especially through a method like the promissory notes Mr F has given Yorkshire Bank. Payments of high amounts like this are usually made through different, often more secure, methods because of the risks involved. So I think it's fair that Yorkshire Bank hasn't just accepted these on face value.

These notes aren't drawn on a licensed bank and are, in effect, just 'IOU's between two parties. Yorkshire Bank has no way of knowing if it is at all likely that the third party would ever be able to honour the terms of the promissory notes. I also note that Mr F hasn't provided it with any information which would suggest that these promissory notes reflect a genuine promise to pay him the large amount of money they mention.

So if Yorkshire Bank accepted the promissory notes, it'd be crediting Mr F's account with tens of millions of pounds of its own money, which it has no reassurance that it would ever actually receive from the third party mentioned on the notes. I think that's an unfair expectation to place on Yorkshire Bank, so I can understand why it's declined these. I think it's fair that, if Mr F is genuinely owed this money then he makes different arrangements to collect this from the other party.

Mr F has mentioned numerous laws and pieces of legislation that he feels support his arguments. I've considered each of the points he's made, but I haven't found anything in any of the legislation he's mentioned to show that Yorkshire Bank should accept these promissory notes. I'd add that his point about whether or not these promissory notes are actually legally binding is a matter that is more appropriate to be decided by a court. This service doesn't have the same powers of a court to make a legal finding on this.

my final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 19 June 2017.

James Staples
ombudsman