

complaint

Mr N complains about what happened when he asked London Mutual Credit Union Limited ("LMCU") to transfer some money from his account.

background

Mr N said that his LMCU account had ended up overdrawn, because a while ago LMCU had transferred some money by mistake to an account that he no longer has access to. The account belonged to a previous business associate. Mr N said that he'd wanted to transfer money to an account in his own name instead. He said that this problem had been going on for a long time.

LMCU said that it had received a transfer request in 2016 from Mr N for £1,000. It said that Mr N had four external bank accounts registered with it, that he could send money to from his LMCU account. LMCU said it had made a mistake, and transferred the money to the wrong account.

LMCU said that Mr N told it what had gone wrong. So it gave Mr N the £1,000 it had wrongly transferred, because he said he was going away and needed the money. LMCU said that Mr N had told it that the account he transferred money to was closed, so it thought when it advanced him this money, that the £1,000 it had transferred would just be paid back to it.

LMCU said that Mr N had since said that he didn't know the account the money had been sent to. Once LMCU showed Mr N that he'd previously made payments to this account, Mr N said that he didn't know if it was his account or not, as he had over twenty other bank accounts. He then said the bank the money was sent to had confirmed it wasn't his account.

But LMCU said that it had confirmed with the receiving bank that it was Mr N's account.

LMCU said that it had asked Mr N to provide a statement for this account from the receiving bank, so that it could see that the money hadn't been paid there, and investigate further. It said that Mr N hadn't responded to that request.

It appears as if LMCU at some point debited from Mr N's account the £1,000 that it had advanced him, which it hadn't been able to recover from the receiving bank.

Our investigator didn't initially uphold this request. He said that LMCU knew that the account the money was sent to belonged to Mr N, and so it was reasonable for LMCU to ask Mr N to show that the money hadn't arrived there.

Mr N replied that he could show that this wasn't his account. He gave our service permission to investigate on his behalf, and our service discussed this with the receiving bank. It said that the account number and sort code didn't match any account held by Mr N.

We told LMCU this. It said it was very surprised to hear that. It uses an intermediary to send payments on its behalf, and it said that its intermediary had definitely confirmed that this account did belong to Mr N. But it agreed with our investigator that the evidence from the receiving bank would carry more weight.

LMCU checked again with the intermediary bank. Then it changed its mind about what it should do. It said that there had been a mistake, and it now knew that this account didn't

belong to Mr N after all. So it said it would pay him the money back. But Mr N said that the bank had kept his money for years. He wanted £1,200 in compensation as well.

LMCU said that it would pay £150 in compensation.

Our investigator changed his mind, and said he thought this complaint should now be upheld. He thought that LMCU should pay Mr N back the £1,000 that had been transferred, because it now realised that this money hadn't been transferred to an account in Mr N's name. It should also pay 8% interest on the money for the time that it wasn't available to Mr N. It should reverse any interest or charges that were applied to his account during this time. And it should remove any adverse marks on his credit file that may have been placed there when his account went into overdraft.

Our investigator also said that LMCU should pay Mr N some compensation. He said that when Mr N told LMCU the account didn't belong to him, LMCU had insisted it did, and asked him to provide a statement from the account. But Mr N couldn't do that, because the account really wasn't his. Our investigator thought that this had prolonged the problem, so he thought that LMCU should pay £300 in compensation.

LMCU said it would accept our investigator's view. Mr N didn't accept, but he said if LMCU increased the compensation to £500, then he would accept. LMCU agreed, and paid that.

But Mr N still didn't accept the offer. He said that it was too low, considering how long LMCU had kept his money from him and what he'd lost as a result. So his complaint was passed to me for 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. I've reached the same overall conclusion on this complaint as our investigator, and for broadly the same reasons.

LMCU has now accepted that the account that it transferred £1,000 to on 5 April 2016 doesn't belong to Mr N, and he didn't get the money. It's explained how this mistake happened, and why it didn't initially realise what had gone wrong. So I agree that LMCU has got to do something to put this right.

Our investigator set out what he thought that LMCU should do. I think that what he suggested puts Mr N back, as far as possible, in the position he would've been in if this mistake hadn't been made. So I agree that LMCU should pay Mr N back the money, pay interest for the time that he was deprived of the money, and pay any fees or charges applied to his LMCU account because he was deprived of the money. I also agree that Mr N shouldn't be left with any adverse marks on his credit file because of this transfer.

Mr N said that he thought that what LMCU offered wasn't enough, because it had kept his money for so long. And our investigator said that he thought LMCU had prolonged the problem. I do think that it is unfortunate that LMCU repeatedly asked Mr N for a statement for the account the money was transferred to. Mr N would never have been able to provide this, as the account wasn't in his name. But I don't think that meant that there was nothing Mr N could do, to sort out the problem. Mr N could, as an alternative, have asked the receiving bank to provide a letter confirming that the account the money was transferred to wasn't his account, as he had said.

So I don't think it's solely LMCU's fault that this matter has taken so long to resolve.

I'm glad to see that LMCU has now accepted its mistake, and agreed to our investigator's proposals to put it right. It also agreed to pay the higher amount of compensation that Mr N requested.

I think that provides a fair outcome in this case. That's what I'll award. Where LMCU has already made payments to Mr N, it can count those towards my award. It doesn't have to pay back any money it transferred, or the compensation, over again.

my final decision

My final decision is that London Mutual Credit Union Limited should pay Mr N the following amounts, if it has not already done so –

- the £1,000 it initially transferred on 5 April 2016,
- interest¹ at 8% per year simple on that £1,000 for the time that this transferred money wasn't available to Mr N,
- any interest or charges that were applied to Mr N's London Mutual Credit Union Limited account during this time, as a result of the initial transfer on 5 April 2016 or of London Mutual Credit Union Limited later removing the £1,000 that it had advanced to Mr N, and
- £500 in compensation.

London Mutual Credit Union Limited should also remove any adverse marks on Mr N's credit file that may have been placed there as a result of the initial transfer or of London Mutual Credit Union Limited later removing the £1,000 that it had advanced to Mr N.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 21 April 2019.

Esther Absalom-Gough
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¹ HM Revenue and Customs requires London Mutual Credit Union Limited to take off tax from this interest. London Mutual Credit Union Limited must give Mr N a certificate showing how much tax it's taken off if he asks for one.