

## **The complaint**

Mr P and Mrs P complain that Bank of Scotland plc (BoS) did not honour a cheque Mr P and Mrs P signed.

## **What happened**

Mr P and Mrs P say that BoS declined a cheque they issued for £50,000 as it was stated they didn't have the signatures for the account holders. Mr P says the telephone number provided on the letter didn't direct him to the correct department and he had been on the phone for 28 minutes, talking with two people who couldn't help him. Mr P says he had to visit a branch so they could record his signature, which he says they should have had this due to the time Mr P and Mrs P had banked with them. Mr P made a complaint to BoS.

BoS partially upheld Mr P's complaint and they credited £75 to his account. They said the cheque was selected for a full security assessment, and they have a duty of care to protect their customers from fraud, and this means from time-to-time additional measures are put in place. They said this is why they declined this cheque, and not previous ones. BoS also said it was their fault that they didn't hold Mr P's signature on file, and this was a reflection upon them, not Mr P and how he manages his account. BoS couldn't give a definitive answer as to why they didn't hold a signature for Mr P, but they agreed it was their error. Mr P and Mrs P brought their complaint to our service.

Our investigator did not uphold Mr P and Mrs P's complaint. He said it's fair to say that not holding Mr P's signature was a BoS error, and BoS agreed that their letter to Mr P regarding the cheque showed a telephone number for general banking, so it would be frustrating for Mr P not getting assistance when he called BoS.

Mr P and Mrs P asked for an ombudsman to review their complaint. They made a number of points. In summary, they said Mrs P had to make urgent arrangements to meet a financial commitment and this took time at no little inconvenience to herself, Mr P had to make a trip to a branch in short order to ensure that his signature could be put on the mandate for the account, which Mr P and Mrs P will never have that time again.

Mr P and Mrs P said another payee, was with great embarrassment asked to delay presenting the cheque until they were satisfied the cheque would not be dishonoured, and during the delay they ensured the mandate was properly in place, BoS enjoyed the benefit of the funds. They also said BoS paid £75 for the phone issues, which that part of their complaint was resolved, but they did not pay them anything for their error regarding not having Mr P's signature on their systems which caused the cheque to decline.

## **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'm aware that I've only summarised Mr P and Mrs P's complaint points. And I'm not going to respond to every single point made by them. No discourtesy is intended by this. It

simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I must make it clear to Mr P and Mrs P that it is not within this service's remit to tell a business how they should operate their policies and procedures, such as when to decline a cheque, and how they communicate this to customers. It would be the role of the regulator – the Financial Conduct Authority (FCA), who have the power to instruct BoS to make changes to their policies and procedures, if necessary.

It's not in dispute that BoS should have had Mr P's signature on their system. If they would have had his signature, the cheque might not have been automatically declined. But I do note that this cheque had been the subject of a full security assessment, and BoS have said they would have still needed to have spoken to Mr P even if they had his signature on file. So if BoS were unable to speak to Mr P when they rang (if they indeed would have rung him), then the cheque declining may have happened regardless of whether his signature was on file or not.

It appears that based on BoS' business file they sent us, that they may have rung Mr P on 8 August 2023. I say this as this shows when Mr P rang BoS on 9 August 2023 he told them he had a missed call the previous day, and he suspects this was in relation to the £50,000 cheque which was returned to the account unpaid.

Banks and building societies have an obligation to try and keep their customers' accounts safe and prevent fraudulent transactions. Sometimes they identify and block legitimate payments that a customer wants to take place. This can cause distress and inconvenience to a customer – but it doesn't necessarily mean they have acted incorrectly.

I've looked at the terms and conditions which were in place at the time the cheque was declined to see if these reference BoS being able to refuse to make a payment. Section D16 does show they are able to do this in certain circumstances, such as if they need to make additional security checks such as checking they are dealing (with their customers). As BoS couldn't check Mr P's signature on the cheque due to them not having Mr P's signature on file, they acted in line with the terms, and they didn't make the payment.

So I'm satisfied that they were fair to decline the cheque when they couldn't verify Mr P's signature, even though I must stress this was through no fault of Mr P or Mrs P. As the cheque contained two signatures, it's reasonable for BoS to ensure they matched Mr P's and Mrs P's signature, so when they couldn't match Mr P's signature (even though this was because of their error), they felt they couldn't honour the cheque.

This caused Mr P and Mrs P distress and inconvenience. Not only did Mr P need to visit a branch which would have inconvenienced him, but Mrs P had to make urgent arrangements to meet a financial commitment. And they felt embarrassed asking another payee to delay presenting the cheque. Mr P tried to ring BoS on the number provided, but he didn't get the assistance he was wanting, despite being on the phone for 28 minutes. So I can sympathise with them with what happened here.

I've considered what Mr P and Mrs P have said about during the delay they ensured the mandate was properly in place, BoS enjoyed the benefit of the funds. While I can understand why they've said this, I don't agree with this. I say this because the funds were held in their account, returned on the same day the cheque was declined. The funds weren't held in a holding account not in their name. As the statement for the account shows, two days after the cheque was declined, a faster payment was made out of the account for a much larger

amount than the declined cheque. So I can't say that BoS had the benefit of the funds as a cheque withdrawal wasn't the only way for funds to debit the account.

I've considered what would be a fair outcome for this complaint. While Mr P and Mrs P have said the compensation BoS paid them was for the phone call customer service issues and not because BoS didn't have Mr P's signature on their system, I must explain that our service will look at events as a whole. Our service does not pay a set amount of compensation for each error.

Our awards are not designed to punish a business or to make it change the way it acts in order to protect other customers in the future. That is the role of the regulator. We sometimes award compensation if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event.

I'm persuaded that the £75 BoS did pay Mr P and Mrs P is fair for the poor service. BoS did not retain Mr P's signature on file (possibly due to system data transfer issues over time – although they can't say for certain why this was). This had an impact on both Mr P and Mrs P where they were both inconvenienced due to this, and for the service Mr P had on the phone. So as BoS have already credited this to Mr P and Mrs P's account, it follows I don't require BoS to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P and Mrs P to accept or reject my decision before 2 May 2024.

Gregory Sloanes  
**Ombudsman**