

The complaint

Mr S has complained about the actions taken by Lloyds Bank PLC after he transferred money from his account to the wrong recipient account.

What happened

On 5 January Mr S transferred £2,439 from his Lloyds account. He had intended to send this to a new account he had with another bank (which I will refer to as 'bank M'). When a few hours later the money had not been received in his new account with bank M, Mr S checked the details of the account he had transferred to. He then realised that he had sent the money to an account which was not his, and was with a different bank (which I will refer to as 'bank C').

Mr S has explained there are several reasons why he might have sent the money to the wrong account. One is that he was due to undergo eye surgery at the time and had limited vision. He has also mentioned that he believes he has slight dyslexia. Mr S has said that because the last payment he had made from his Lloyds account was to his new account with bank M, he thought its details would be at the top of his list of payees.

Mr S told Lloyds about what had happened on 5 January. On 9 January Lloyds issued a letter to Mr S stating that it had been unable to retrieve the transferred money. It stated bank C had *"told us that the recipient forwarded to new switched out account [sic] and therefore, they haven't been able to return the payment to you."*

Having sought independent advice, Mr S complained to Lloyds about its handling of his request that his money be returned to him. In response Lloyds explained that when dealing with this matter, it had mistakenly thought that the recipient account at bank C was in Mr S's own name. Therefore when it was told by bank C that the account had been 'switched out', it thought the money would have been sent to a new account that Mr S had switched into and was in his name. Lloyds paid Mr S £100 compensation for its error, and it restarted the money retrieval process.

On 1 March Lloyds wrote to Mr S and said that bank C had told it that the recipient of the funds was not responding to contact, and consequently that the receiving bank could not return the money.

Mr S brought a complaint to this service. He said that Lloyds had accepted that it had acted too slowly in its attempts to retrieve the money from bank C, and had paid him compensation because of this. Mr S suggested that if Lloyds had acted promptly and correctly when told about the mistaken payment, the money could have been recovered.

Our investigator did not uphold this complaint. Her view was that Lloyds had taken reasonable steps to recover the money Mr S had transferred in error. She also considered Lloyds' £100 compensation payment fairly reflected the delay it had caused when attempting to retrieve the money. The investigator commented that Mr S could request from Lloyds the beneficiary's contact details as a means for him to pursue the transferred funds.

Mr S disagreed with the investigator's findings. He highlighted that Lloyds had already accepted that it had made errors when initially attempting to retrieve the funds, and he suggested this had affected the chances of successfully reclaiming his funds. He also questioned whether the way in which bank C handled the request for the funds to be returned meant that it also held some responsibility for the failure to retrieve this money.

Mr S commented that because the funds had not been returned, a crime had been committed, and he suggested that Lloyds should have reported this. He also said that Lloyds had made little effort to retrieve his funds, even though he'd told the bank about his error shortly after it had occurred. Mr S said that he does not have sufficient information to pursue a prosecution of the recipient of his money.

The investigator responded that if Mr S had concerns about how bank C had dealt with Lloyds' request to retrieve the money, he would need to contact bank C about this. She reiterated that if Mr S wanted further details about the recipient of the funds, he should make a written request to Lloyds. He could then use that information to pursue matters through the courts.

As Mr S disagreed with the investigator's findings, the case was referred for review by an 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.

Firstly I should say that I'm sorry to learn about the error that occurred when Mr S transferred his funds to the wrong account. He has explained the circumstances around the error, and the fact that he sent his funds to a previous payee whose account details already existed within his online banking records. I need to consider whether Lloyds was at fault in the way in which it dealt with Mr S's request that the funds be returned to him.

Mr S told Lloyds about the error on the day that it occurred. Whilst Lloyds promptly started the process requesting that bank C return the funds, it mistakenly recorded some of the details about the transfer. This led Lloyds to believe that Mr S had sent the money to an account at bank C that was also in his name. When Lloyds became aware that the recipient account was not in Mr S's name, it restarted the process for attempting to retrieve the funds from the account at bank C, and paid Mr S £100 compensation to reflect the distress and inconvenience its error had caused him.

Mr S has suggested that Lloyds' error reduced the chance of his money successfully being returned to him. I have carefully considered his comments, but my view is that the available evidence does not show on the balance of probabilities that this is the case. When Lloyds contacted bank C a second time in an attempt to reclaim the funds, bank C confirmed that the recipient was not responding to it about the fund retrieval. Bank C stated that in the circumstances, it could not return the money to Mr S's account. I'm not persuaded on balance that the outcome to the retrieval request made to bank C would have been different if Lloyds had carried it out correctly the first time.

Further to this, I have considered what I would expect a bank to do in the circumstances where its customer has transferred money to the wrong account in error. The Payment Services Regulations (PSR) 2017 cover the legal framework for specified payment systems and services, and its provisions apply to the payment that Mr S made in this case. When a customer makes a mistake transferring money from their account, PSR 2017 requires the

payment service provider (in this case Lloyds) to take 'reasonable steps' to recover the funds.

Lloyds contacted bank C to request the return of the funds. Bank C said that the recipient was not responding, and that it was unable to return the money. Lloyds has confirmed that, upon receipt of a written request from Mr S asking for the details of the beneficiary of the funds, it will forward this request to bank C. This will assist Mr S to pursue through the courts his claim for a return of his funds.

I consider that Lloyds' actions are in line with the provisions of PSR 2017 where it's not been possible to recover the mistakenly paid funds from a recipient. Mr S has said that in the absence of his funds being returned, he considers that a crime has been committed, and he says that Lloyds should report this. Although I acknowledge Mr S's comments, I do not consider that in circumstances like this, where money has been transferred in error, there is an onus on Lloyds to report the matter. The obligation on Lloyds was to take reasonable steps to recover the money, and on balance I consider it did this.

Bearing in mind awards made by this service for unnecessary distress and inconvenience caused by a business' errors in cases with similar circumstances to those here, my view is that the payment of £100 made by Lloyds under this heading is fair. I appreciate that Mr S is likely to be disappointed with my findings. However, my conclusion is that Lloyds should not be required to take any further action in relation to the circumstances of this complaint.

My final decision

Lloyds Bank PLC has already paid Mr S £100 to reflect distress and inconvenience caused to him, and I consider this offer is fair in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 July 2024.

John Swain
Ombudsman