

The complaint

Mrs B complains about the service provided by HSBC UK Bank Plc ('HSBC') when it stopped a payment she wanted to make. She also holds HSBC responsible for the fact that the payment was subsequently returned after she successfully completed HSBC's verification process.

What happened

Mrs B contacted HSBC via telephone banking, intending to send a five-figure payment to an external account. She wanted to make the payment using the Clearing House Automated Payment System ('CHAPS'). This is an electronic payment system for bank transfers used for sterling transactions within the UK, which could've enabled payment to be sent the same day direct to the recipient account.

The payment was flagged for security checks, which Mrs B was unable to complete as she didn't know how to answer the question HSBC asked. HSBC said she wasn't able to speak to anyone more senior about the matter and her only option was to attend a branch. When Mrs B did this, the payment was approved and sent.

Mrs B complained that HSBC's security process was seriously flawed and said it needed to be changed. HSBC didn't uphold Mrs B's complaint, mainly saying that it had declined the payment due to security checks and the matter had been handled correctly.

Unfortunately, the payment credited back into Mrs B's account the following day. Mrs B blamed HSBC for the payment failing and thought details had been entered incorrectly by HSBC branch staff.

When Mrs B brought her complaint to us, our investigator said he didn't think HSBC needed to do more here. In brief summary, he said that banks needed to have rigorous security protocols and we couldn't tell HSBC to change its business process. And the investigator didn't think that the failed payment was due to any error on the part of HSBC.

Mrs B didn't think the investigator had a proper understanding of the matter and didn't agree with his assessment of her complaint. Further correspondence ensued whilst the investigator explored additional lines of enquiry with HSBC.

During the course of further investigation, HSBC said it had been unable to establish bank error on its part, saying that there appeared to be a 'bank to bank difference' with the references quoted on the payments. But HSBC felt it was unfair that Mrs B should lose out due to what happened and offered her £50 as a gesture of goodwill to cover any lost interest and for the inconvenience. Our investigator thought this was fair in all the circumstances.

Mrs B disagreed with our investigator saying that it was 'utterly ridiculous' to suggest that a 'bank to bank difference' in the reference number could happen with no identifiable cause. She put things this way: '... With computer systems, such errors have to have a cause... The entire edifice of British banking could collapse if the CHAPS system generated random

errors.' Mrs B thought this was something we should follow up with the Bank of England and she remains certain that this would show what happened was due to an error at HSBC.

Mrs B has asked for an ombudsman to review her complaint, so it comes to me to decide.

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.

I can understand why what's happened has been upsetting and frustrating for Mrs B. But having thought about everything, I've independently reached the same overall conclusions as our investigator. I'll explain my reasons.

My role is to consider the evidence presented by Mrs B and HSBC, and reach an independent, fair and reasonable decision. My findings are made on a balance of probabilities, in other words, what is more likely than not, based on the evidence provided by the parties. In simple terms, to uphold this complaint there would have to be persuasive evidence that made it more likely than not that HSBC had done something wrong or acted unfairly or unreasonably. So that's the focus of my decision.

HSBC is required to satisfy regulatory requirements and have in place measures to combat fraud and it has a duty of care to protect customers' money. HSBC's systems have been designed in the interests of HSBC customers to help keep their money safe and prevent fraudulent activity on their accounts. Sometimes a bank identifies and blocks legitimate payments that a customer wants to make. Understandably, this can cause concern and inconvenience to a customer – but, as here, it doesn't necessarily mean the bank has acted incorrectly or unfairly.

The relevant account terms and conditions, which Mrs B would've agreed to in order to be able to use her account, allowed HSBC to refuse her payment instruction in these circumstances. I can appreciate this left Mrs B feeling frustrated when this happened to her. But I don't find that HSBC made any error or did anything wrong when its system flagged up the need for a check and blocked the payment Mrs B wanted to make.

Nonetheless, HSBC still needed to act in a fair and reasonable way towards Mrs B. I've thought carefully about this. I acknowledge how strongly Mrs B felt that she should've been able to speak to someone else and offered a different verification process when she wasn't able to answer a question automatically generated by computer and she found the question unreasonable. I'm sorry that the question generated by HSBC's system wasn't one that Mrs B felt able to answer. As she'd had her account for many years and used lots of the bank's products, I can understand why this was difficult for her. But the question itself was about the way she'd used her account so I don't think it was unreasonable.

And I can understand why Mrs B might have initially thought it could be useful to speak to someone more senior when the call handler wasn't able to provide her with any alternative way to verify her payment. But the call handler explained that the bank's process didn't allow anyone to authorise the payment in these circumstances and that the only alternative now was for Mrs B to attend in person at a branch with identification documents.

The role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. I do not have the power to make rules for financial businesses. That's the role of the regulator, the Financial Conduct Authority (FCA). For these reasons I won't be responding further to Mrs B's concerns about the way HSBC operates and its procedures. And I am satisfied, having listened to the call recording

provided, that HSBC dealt courteously and professionally with Mrs B on the phone. It ensured she had the information she needed to progress the payment and offered her the option of complaining about what happened. So the fact that she wasn't able to complete HSBC's security process and not given any options apart from going to a branch to complete verification and make a complaint about what happened aren't sufficient reasons to be able to uphold this part of her complaint.

It's unfortunate that we haven't found the reason why there was a mismatch in the references shown on the sending and receiving banks' records of the returned transaction. Of course it's frustrating not to know why this happened. But I think Mrs B will appreciate that we can't share with her confidential information that HSBC has provided to us. And I can offer her my assurance that I've seen enough to be satisfied, on the balance of probabilities, that HSBC wasn't responsible for entering any incorrect reference when it attempted the payment for her. I hope knowing that someone independent and impartial has carried out this assessment might go some way towards putting Mrs B's mind at rest on this point.

All this means I can't uphold Mrs B's complaint.

I would just mention here, in case Mrs B might find it useful to know, that even if I were to find that the payment failed due to bank error at HSBC, I would consider the £50 compensation payment offered to be fair and reasonable in these circumstances. The payment was completed shortly afterwards with some limited inconvenience to Mrs B and no significant financial consequences for her. So this wouldn't be a situation where we'd award any more compensation than this in any event.

I'm sorry that this was such a frustrating experience for Mrs B overall. But I haven't seen enough to uphold her complaint and award the compensation Mrs B would like me to. If she wishes to take up HSBC's goodwill offer, that would be a matter between herself and HSBC.

I also understand that Mrs B wants me to pursue further investigation and find answers to all the questions she has raised. But my remit is to take an overview and decide what's fair and reasonable overall. Where there's a dispute about the evidence, including whether all of the relevant evidence has been provided, it's for me to decide if I have everything I need to determine the case fairly. Our powers allow me to do this, and I've addressed the points that I felt were at the heart of the complaint. If I have not referred to every point mentioned during the course of the correspondence about this complaint, that's because I've concentrated on what seems to me to be the core issue I need to address when deciding the complaint – whether or not HSBC has acted fairly and reasonably.

I appreciate that my decision will be disappointing for Mrs B, but I hope that setting things out as I've done helps her to understand how I've reached my conclusions.

My final decision

My final decision is that I don't uphold Mrs B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 25 October 2024.

Susan Webb
Ombudsman