

The complaint

S complains that Lloyds was unable to recover a payment that was made in error.

What happened

S carried out an account switching process to move its business bank account to Lloyds. But because of errors by Lloyds, the account switch wasn't processed correctly. As a result, Mr S, S' director, had to input payment details for existing payees.

On 24 April 2023, a payment was set up on Lloyds' online banking facility for £5,000 to pay a known supplier. Mr S has explained that whilst he used the right sort code, the account number was wrong by one digit due to a typing error. When the payment was instructed, Lloyds online system returned a message to say it couldn't check the details provided. Lloyds has explained this was likely due to the receiving bank not being party to the Confirmation of Payee process it uses for payments.

Mr S approved the payment and it was processed by Lloyds. But on 27 April 2023 Mr S contacted Lloyds to explain the wrong account number had been used and asked it to recover the £5,000 payment. Lloyds' agent advised it would recover S' funds and that the payment should be refunded within 21 days. Lloyds says Mr S should've been advised it would attempt to recover S' funds on a "best endeavours" basis but that its agents failed to do so.

On 29 April 2023 Lloyds contacted the receiving bank and raised a recall request advising the payment had been made in error due to a mistake with the account number used. But the receiving bank later responded to say it had contacted the recipient about the payment and hadn't received a response or permission to return the funds to Lloyds.

Despite being advised that Lloyds would refund the payment in within 21 days when the issue was reported, it later confirmed it hadn't been possible to reclaim S' funds. As a result, no refund of the missing £5,000 was made.

On S' behalf, Mr S complained to Lloyds and it issued a final response on 28 June 2023. Lloyds apologised its agents had given misleading information and told Mr S the funds would be returned within 21 days. Lloyds explained its agents should've told Mr S it would attempt to recover S' funds on a "best endeavours" basis and that the refund wasn't guaranteed. Lloyds also said Mr S set up the payment and provided the account number it used which meant it wasn't responsible for the mistake. Lloyds didn't agree to refund the lost funds.

An investigator at this service looked at S' complaint. The investigator agreed Lloyds had provided incorrect information when Mr S reported the issue but thought it had made reasonable attempts to recover the funds. The investigator added that Lloyds Confirmation of Payee check had returned an error message prompting Mr S to confirm whether he wanted to proceed with the payment or not. The investigator wasn't persuaded Lloyds was responsible for the keying error that led to the wrong account number being used and didn't ask it to reimburse S' loss.

On S' behalf, Mr S asked to appeal and said he had shown Lloyds' systems to be unreliable. Mr S also said he'd asked Lloyds for the recipient's name but it hadn't been supplied. As Mr S asked to appeal S' complaint, it's been passed to me to make a decision.

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'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

I'm aware that S has another complaint about the way the business account switching process was handled by Lloyds. I'm not going to comment on those issues in this decision as they're the subject of another complaint. But Mr S has explained that if the account switching process had been handled correctly by Lloyds he wouldn't have been required to enter the payment details manually as they'd have been pulled through from S' previous banking provider. I take Mr S' point and accept he needed to enter the account details manually when setting up the payee. But I'm satisfied the process was in line with how new payments are set up and is in line with Lloyds' normal approach. Whilst I'm aware Lloyds made mistakes with the account switching process, I'm not persuaded that in itself is sufficient to uphold S' case.

I've looked at the payment instruction that was set up on 24 April 2023. All parties agree that a typing error led to the wrong account number being used. Lloyds has explained that it has a Confirmation of Payee process in place to check the destination account matches the details provided. But Lloyds has explained that the Confirmation of Payee check returned an error message as it hadn't been possible to verify the account details provided. Lloyds says its systems provided a warning that the details provided didn't match and that it may not be able to retrieve funds sent if the payment went to the wrong account. The payment was approved by Mr S and made in line with the instructions he gave. So I'm satisfied the payment was made in line with Mr S' instructions. I'm very sorry to disappoint Mr S but I haven't been persuaded that Lloyds made a mistake or acted unfairly by processing the payment in line with the instructions it received.

Lloyds has explained its agents should've told Mr S it would attempt to recover S' funds on a best endeavours basis but that there was no guarantee a refund would be made. I can understand why Mr S feels somewhat misled and accept Lloyds' agents made a mistake. But I'm satisfied Lloyds corrected its position when it confirmed the outcome of its recall request and when responding to S' complaint. In my view, the apology Lloyds gave in its final response is reasonable in the circumstances.

In response to the investigator Mr S explained he'd asked Lloyds for the beneficiary's details. I can see that Lloyds requested this information from the receiving bank but wasn't given it for data protection reasons. Lloyds sent S a letter on 6 November 2023 and gave the name of the receiving bank and a reference number. Lloyds explained Mr S could write to the receiving bank on S' behalf to try and move the matter forward. I'm satisfied that was reasonable and in line with what we'd expect to see.

I'm very sorry to disappoint Mr S as I can see how strongly he feels in this matter. But I'm satisfied that Lloyds dealt with the recall request correctly and responded to S' complaint fairly. As a result, I'm not telling Lloyds to take any further action.

My final decision

My decision is that I don't uphold S' complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 21 December 2023.

Marco Manente
Ombudsman