

The complaint

Mr M complains that Bank of Scotland plc ('BoS') returned a cheque unpaid.

What happened

Mr M had an account with BoS – since 1985. In November 2022, he wrote a cheque for £20,000 to an investment management company to buy some shares. The contract note issued by the investment management company was dated 2 November 2022. On 4 November 2022, it was presented for payment but was returned unpaid by BoS as no signature was held in the bank's records.

On 7 November 2022, Mr M visited a branch of BoS with the necessary documentation to give his signature, and his records were updated. BoS suggested he used a banker's draft and issued one for £20,000 to Mr M. The records provided by Mr M show the shares were then bought on 16 November 2022.

Mr M complained. He said he had been a customer of BoS for 50 years and had never had this experience in the past. He said other cheques for £7,000 and £20,000 had been paid by BoS in the past year without any problem. He said that if BoS didn't hold his signature after so many years of banking with them, it wasn't his fault. He said that because the share price had moved against him, the £20,000 bought fewer shares (on 16 November 2022) than if the purchase had taken place as planned – on 2 November 2022. He said the loss to him was £1,399.32

BoS made an error when they issued their final response on 2 February 2023. This said they did hold his signature at the time of the incident, and therefore they shouldn't have returned the cheque. They paid compensation of £200.

Mr M brought his complaint to us. Our investigator looked at what happened. BoS said their final response was wrong. That was because the complaint handler at that time thought a signature was held at the time of the presentation of the cheque – when in fact, BoS only held Mr M's signature from when he visited the branch on 7 November 2022. A signature wasn't held by BoS when the cheque was presented on 4 November 2022.

Our investigator said BoS explained that they likely held a physical copy of Mr M's signature when he first opened his account in 1985. But when they updated their records to capture all signatures electronically, it appears that Mr M's signature wasn't provided, or transferred to the new format. She said BoS tried to call Mr M on 4 November 2022 to try to get his authority to pay the cheque, but without success. She said BoS didn't make an error when returning the cheque and therefore didn't need to compensate Mr M for his losses.

Mr M asked that an ombudsman look at his complaint, and so it has come to me to make a final 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 appreciate what Mr M has said here – he has been a customer of BoS for many years and assumed that they still held his signature from when he opened his account in 1985. He says BoS paid two other cheques for £7,000 and £20,000 in the previous year.

But on the other hand, BoS argue that they don't have a copy of his signature in their electronic records – as BoS transferred all signatures (previously held in paper format in the branch) to holding them 'electronically' or 'digitally' – on a central computer. It appears that as part of that transfer, Mr M's signature was mislaid. I'm not able to say with certainty why that was.

I think it's reasonable for banks to make decisions on the payment of cheques based on the records they hold, and in this case they didn't hold Mr M's signature. BoS have provided evidence that they called Mr M on 4 November 2022 – to try to get him to authorise the payment of the cheque. So – that was a reasonable thing for BoS to do. But unfortunately, the call wasn't successful.

When Mr M visited the branch on 7 November 2022 – the branch suggested an alternative solution – and provided a draft for £20,000 for him to use. That was a reasonable thing for the branch to do – they were trying to help Mr M.

I assume that Mr M then posted this to the investment management company – but I can see from the evidence that the shares weren't bought until 16 November 2022 – which appears quite a long time. I can't say why that was – whether Mr M didn't post the draft straight away; if it was delayed in the post; or if the investment management company were slow in dealing with the purchase. But whatever the reason, I can't reasonably hold BoS responsible for the delay, and the movement in share price.

I can see that Mr M was dealing with a large and reputable investment management firm. And therefore I think it's also reasonable to assume that they would accept payments by other means – e.g. by bank transfer – which Mr M could arrange through BoS' telephone banking. He may have been able to call the investment management firm and pay by debit card. I don't know if Mr M uses internet banking, but if he did, he could also have used that. So in considering the impact on Mr M – he could've used other ways of getting the money to the investment management firm.

Mr M has argued that he has issued other cheques which were paid. But on balance, I don't think that means that BoS were obliged to pay the cheque in question. BoS have to make a decision on each cheque presented for payment.

I was sorry to hear of Mr M's frustrating experience. But having reviewed everything that happened here, I'm not asking BoS to do anymore. **(continued)**

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 5 August 2023.

Martin Lord
Ombudsman