

The complaint

Mr L wasn't happy that HSBC UK Bank Plc stopped processing a cheque he'd written, causing it to bounce. Mr L said this was inconvenient and had a negative effect on his reputation.

What happened

In February 2023 Mr L wrote a cheque to his builder. About a month later, the builder told Mr L the cheque had bounced. Mr L visited his local branch of HSBC to find out what had happened. It said it had stopped the cheque due to fraud and offered Mr L £10 as a gesture of goodwill. Mr L wasn't happy so complained.

HSBC said the cheque had gone through additional security due to suspected fraud. It said it had tried to call Mr L to check the payment was genuine but it hadn't been able to speak to him. So, the cheque had been stopped. HSBC subsequently noted that a voicemail hadn't been left when it called Mr L. And it offered him £100 for the distress and inconvenience caused. Mr L didn't accept that amount.

Our investigator thought HSBC needed to do more to put things right. She thought it should have done more to contact Mr L once the cheque had been flagged as suspected fraud and/or counterfeit. And she thought a further £240 (in addition to the goodwill payment of £10) would be a fair and reasonable way of putting things right.

HSBC agreed with the investigator's findings, but Mr L did not. He didn't think there was any justification for the bank's actions and thought the amount recommended by our investigator was inadequate in light of potential damage to his reputation. As Mr L didn't agree with our investigator's view, his complaint has been referred to me for 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.

HSBC said it didn't know the exact reason the cheque was stopped, except that it was for suspected fraud. It said the payment was unusual for the account, but it wasn't able to explain why it was unusual. So, I can understand why Mr L doesn't believe there was any justification for stopping the cheque. But I don't think it's unreasonable for HSBC to have a system in place to flag up instances of suspected fraud. HSBC said the additional checks it makes are done in the best interests of its customers, and I think that's fair.

So, while HSBC can't say why the cheque was stopped, it's clear there was something about it that triggered its system. And I think the key point here is that HSBC didn't follow its own guidelines once the cheque was flagged. Had it done that, Mr L could have verified the payment or at least taken action to limit the impact.

HSBC said a decision must be made on whether to pay a cheque or return it by 2pm on the day the cheque is presented. And as Mr L's cheque was being processed close to 2pm,

HSBC said that was why it didn't try to call Mr L again after its first attempt. But I think HSBC could have phoned again and it should have left a voicemail as per its own guidelines. This might not have prevented the cheque from bouncing but if Mr L had known there was a problem, he could have taken action to avoid any potential damage to his reputation by perhaps issuing another cheque or paying the builder in another way.

So, HSBC made a mistake and I think it's fair to expect it to take action to put matters right. Our investigator thought it should pay Mr L a total amount of £250 to compensate him for the impact caused. Mr L thinks a much more substantial payment should be made. He said the builder was concerned the cheque bounced because Mr L had insufficient funds in his account. But that wasn't the cause and Mr L said he's never been late paying a bill before. He said he has a lot of contact with members of the construction industry and having a reputation for bouncing cheques is not good.

When we direct a business to make an award for the impact it's caused, we don't consider what might have happened and focus instead on what did happen. I can understand why Mr L is concerned about the potential impact the bounced cheque might have on his reputation, but I haven't seen any evidence to show that it has had that effect. That said, I recognise it will have caused Mr L some amount of distress and a certain amount of inconvenience, so I think it's fair to ask HSBC to compensate Mr L for that impact. And, on balance, I think a total amount of £250 would be a fair and reasonable way to do that. So, HSBC should pay Mr L a further £240 in addition to the £10 it's already paid.

I note that HSBC has also offered to write to Mr L to state that the cheque didn't bounce due to any error by him or due to any lack of funds. And I think that too will go some way to avoiding the potential impact on his reputation Mr L is worried about.

My final decision

For the reasons given above, my final decision is that HSBC UK Bank Plc should do the following:

- pay Mr L £240 for the distress and inconvenience caused by its poor service;
- write to Mr L within four weeks of the date of this decision to confirm that the cheque wasn't stopped due to any error by Mr L or due to any lack of funds.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 28 September 2023.

Richard Walker
Ombudsman