

## **The complaint**

Mr S complains that The Royal Bank of Scotland (RBS) trading as Virgin One Account unfairly stopped a bank transfer.

## **What happened**

Around September, Mr S attempted a transfer of £10,000 to a third-party individual – who Mr S says is a family member. Mr S contacted RBS a few days later as the transfer hadn't gone through - he was informed that the transfer had been put on hold because it was flagged by the bank's fraud prevention system. RBS asked Mr S for more information. Mr S was able to provide most of this information but was unable to provide records relating to the payee's account. So RBS didn't release the payment.

Although Mr S later completed the transfer in smaller instalments, he complained to RBS because of what happened. Mr S says the bank's system shouldn't have flagged this payment, given the recipient was listed as an existing payee on his account. Mr S is disappointed that RBS couldn't explain why this transaction was specifically flagged and suggests the bank's process is systemically racist, given the payee's ethnic background was apparent from their name. Mr S is also unhappy that RBS didn't notify him when it placed a hold on the transfer and feels the bank was wrong to expect him to obtain records related to the third-party.

In its response, RBS stood by its actions and didn't agree that there was evidence of the bank being discriminatory. The bank added that it had acted in line with its terms and explained that the transaction was automatically flagged by its system, which is something it cannot avoid.

Remaining unhappy, Mr S asked this service to get involved. He wants the bank to accept it had acted unfairly and in breach of the relevant rules and terms. Our investigator concluded that RBS had acted fairly when fulfilling its duty to take steps to prevent fraud. Mr S doesn't agree, so the complaint has been passed to me for a final say.

## **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 not upholding this complaint – I'll explain why.

I should point out that it isn't within my remit to tell RBS how it should conduct its banking services, nor can I provide the bank with direction on its fraud prevention procedures. Commercial decisions and practices are the responsibility of the bank alone, and it's the job of the regulator, the Financial Conduct Authority (FCA), to oversee such activities. My role is to consider the specific circumstances surrounding this complaint and, if I think RBS acted unfairly, I can instruct it to do something to put things right.

On that basis and given that RBS' terms explain that it can stop payments the bank thinks

are suspicious, I think it acted fairly when it placed Mr S' transfer on hold. RBS has a duty to take steps to prevent fraud and it's up to the bank to determine how it does this. RBS says its system automatically flagged this transaction, and, in my opinion, it's the bank's commercial decisions that decide the parameters of its automated system. So although Mr S points out that the payee had existed on his account for some time and was someone he'd sent funds to before, this doesn't necessarily mean that RBS' system wouldn't flag up a payment to this particular payee.

RBS placed the payment on hold until it could establish it was authentic. To do so, it asked Mr S for records and information. Mr S was unable to provide everything the bank asked for, so I think RBS' decision not to release the payment was fair.

Mr S says it was unreasonable of the bank to ask for details and records relating to the payee's account. I understand Mr S' concerns around sharing third-party information with RBS, but I haven't seen anything that suggests this information would've been at risk of being accessed by an unauthorised party. Although RBS didn't explain why it needed this specific information, it was nevertheless something the bank required under its own procedures to verify the transaction. Mr S was unwilling to meet such a requirement, so I think it was reasonable that RBS didn't release the payment.

Mr S is concerned that the bank's system flagged this transaction because of the payee's name – he thinks RBS' process is therefore systemically racist. I need to clarify that this service is unable to make findings on whether something constitutes discrimination as per The Equality Act 2010. This is because this service is an informal alternative to the courts, and only a court of law can make a legal finding based on the definitions set out within the act.

However, I can consider whether the bank has acted in a fair and reasonable manner, and to do that I will take several things, including The Equality Act 2010, into consideration.

It's difficult to reach a finding that RBS's system is designed to be inherently racist. Mr S suggests the system's algorithm has been set up to do so. But I haven't seen anything that persuades me this is the case. I think it's more likely that the transaction was flagged due to its value and because it may not have reflected Mr S' typical banking activities. So I can't fairly conclude that RBS acted in a discriminatory way when it flagged this transaction as suspicious.

Mr S points to the FCA's guidance and RBS' terms and highlights that the bank failed to notify him when it placed the transaction on hold. He says he was unaware until he called the bank a few days after the transfer was initiated. RBS confirmed to us that it didn't notify Mr S. However, it seems Mr S was aware that the payment hadn't gone through, given he took the first step in contacting RBS to find out the cause for the delay.

So although Mr S expected to be notified but wasn't, I'm not persuaded that the impact was unreasonable, given he mitigated further delay by contacting RBS himself. Moreover, my interpretation of the FCA guidance Mr S refers to doesn't oblige the bank to provide a notification for every payment that it stops. So I don't find that the bank acted unfairly because of this.

Overall, in my view RBS has acted fairly in the way it handled this transaction. Although I note Mr S experienced some inconvenience, I can't fairly conclude that this was because of something RBS did wrong – nor do I think the inconvenience was to a degree that would lead me to decide compensation is reasonable here.

**My final decision**

For the reasons set out above, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 August 2023.

Abdul Ali  
**Ombudsman**