How to avoid payment mistakes
A consumer guide
Introduction

The vast majority of payments made every day occur without a hitch, but in rare cases – if incorrect payment information is used – a payment can be sent to the wrong account by mistake.

Sending a payment with the wrong sort code or account number is like sending a letter with the wrong post code and address – it won’t reach its intended destination and it can be very difficult to get back.

This leaflet is designed to help prevent mistakes from being made in the first place by explaining how your payments are processed and providing helpful advice on how to avoid errors. The information applies to domestic UK payments – if you are sending an international payment you should speak to your bank or building society for further guidance.

But, of course, mistakes do happen from time to time. Although there is no guarantee that money can be recovered once it’s been sent to the wrong place, this guide sets out information on the procedures that banks and building societies follow to help people that have accidentally sent a payment to the wrong account.

Banking online, by phone or by mobile have become extremely popular because they are convenient and safe. All banks and building societies have a range of security measures and monitoring systems in place to protect their customers’ accounts and payments from fraudsters but there are some simple steps you can also take. It’s also vital to follow your bank’s security advice and any instructions they provide to help you keep your account safe from fraudsters.
How your payments are addressed

Electronic payments are addressed using two pieces of information: account number and sort code.

Research shows that one in two people wrongly believe the name of the recipient is checked when sending an electronic payment. It isn’t. It is there so the payee name appears on statements.

Types of payment

One-off payment
This is the most common type of internet banking payment – used for one-off payments that need to be made as soon as possible – for example to pay a friend or a company. The payments are processed using the ‘Faster Payments Service’. Most payments are processed in seconds, 24/7, but it isn’t possible to automatically reverse a payment, so it’s vital to check all the details you use are correct.

Forward-dated payment
You can set up a payment to be sent in future by specifying the date you would like the payment to be processed on. They are often used to plan ahead by setting up payments to be sent after money such as a salary has been received into an account.

Standing order
This is a regular payment (weekly, monthly, or annual) for a fixed amount that you can set up in advance. These payments can be processed Monday—Friday and are often used for things like charity donations, rent payments or to make payments to savings accounts.

Paym
Paym makes it possible to pay someone using just their mobile number between 17 participating banks and building societies. It is a popular way to pay friends, family and sole traders and is currently the only system that lets you check the name of the account holder before sending money. Find out more at paym.co.uk.

Direct Credit
Direct Credits are normally used to pay salaries and for other business payments like employee expenses, insurance settlements, dividends, refunds and supplier payments.

Direct Debit
Direct Debits are normally used to pay bills. In the rare event that the company you are paying or your bank make a mistake with your Direct Debit, you are entitled to an immediate refund under the Direct Debit Guarantee.

What is Faster Payments?
Faster Payments works behind the scenes to process payments on behalf of all of the UK’s banks and building societies. If you need help with an individual payment, your own bank will be able to help.

What is Bacs?
Bacs is the scheme behind the Direct Debit and Direct Credit payment methods. If you aren’t sure how your payment has been processed, your bank will be able to let you know.

What is Paym?
Paym makes it possible to pay someone using just their mobile number between 17 participating banks and building societies. It is a popular way to pay friends, family and sole traders and is currently the only system that lets you check the name of the account holder before sending money. Find out more at paym.co.uk.
Filling in your payment form

This form has been designed to look like a typical internet banking form – but the exact appearance will vary depending on who you bank with. Check with your bank or building society for exact details.

**Sort Code**
This six digit number (often displayed in two-digit pairs - i.e.: 01 23 45) determines which bank your payment is sent to, and which branch the account belongs to. There are 20,000 sort codes in use – if you attempt to send a payment to a sort code that doesn’t exist, your payment often won’t be able to be processed and no funds will leave your account.

**Account Number**
Account numbers are usually eight digits and are set by each bank, with an account number assigned to every customer account. Not every number in sequence is necessarily used – if you enter an account number that doesn’t exist by mistake, your payment should be returned automatically.

**Amount**
This is the amount in pounds and pence that you want to send. Most banks display a ‘£’ sign to help you.

**Date**
You can decide whether you want your payment to be processed immediately, or if you would like to set it up for a future date.

**Destination Name**
This information is not used to address your payment – but you can enter the name of the account holder you intend to pay so it appears on your bank statement. Names are not checked because of the number of different ways in which a name can be expressed, and still be ‘correct’, e.g. John Smith, Mr John Smith, Mr J Smith, John D Smith, John David Smith, J David Smith, Jack etc.

**Saved payee?**
Most online banking services let you re-use details you have previously used to pay someone, for convenience. If you are re-using old account details, make sure you are confident they are up to date.

**Reference**
Enter up to 18 characters to describe what the payment is for. If you are sending money to a friend it might be a simple description, e.g. ‘lunch’, while businesses might ask you for a specific reference to ensure they apply the funds correctly. To send a payment to some building society accounts, you may have to enter a ‘building society roll number’ or just a ‘roll number’ here. This is a reference code with letters and numbers. Double check this information to ensure your payment is applied to the right account.
How mistakes happen

The top reasons

- The sending customer accidentally enters the wrong account number or sort code.
- The sending customer uses an old account number and sort code that is no longer correct.
- The sending customer selects the wrong payee from a list.
- The intended recipient provides the wrong account information to the sender.

But these can also cause errors

- The sending customer sends a duplicate payment by mistake.
- The sending customer sends the wrong amount.
- The sending customer forgets to cancel a forward-dated payment.
- The sending customer selects the wrong date or frequency for a payment.
- The sending customer uses incorrect reference information.

Top tips to avoid mistakes

The tips below can stop most common types of mistakes — but remember — if you think you have sent a payment to the wrong place, it is important to contact your bank immediately.

The sending customer accidentally enters the wrong account number or sort code.

Double check
Always double check the sort code and account number when sending a payment.

Check the reference
If you are paying a large business, you may be able to select their account number from a drop down list in your online banking – but make sure you select the right account and provide the right reference.

Can you use Paym?
If they are registered with Paym you can check the account holder’s name before confirming the payment.

The sending customer uses old account information that is no longer correct.

Long lost friend
Think about how long it is since you last paid that payee – are you sure that person is still using the same account?

Stay up to date
If the person you are sending money to has switched accounts using the Current Account Switch Service, the payment will be automatically redirected. But you shouldn’t rely on this – it’s a good idea to review your payee lists regularly and delete any you know are no longer being used.

The intended recipient provides the wrong account information to the sender

Send a test
Remind the person you are paying that it’s important to be careful and double check the details before using them. If you want extra reassurance, you could consider sending a low value test payment and checking with the recipient that they have received the funds.

The sending customer selects the wrong payee from a list

Review your payees
Take particular care if you have payees with similar sounding names and always double check that you have selected the payee you intended to.

Tip: Internet and mobile banking are both great ways to stay on top of your finances as and when it suits - you can use them to check the details of any upcoming payments, or to double check details of payments you have already sent.

Tip: Remember the importance of providing the correct details when you want to receive a payment. For example, if you change your account, make sure you notify your employer, pension provider or anyone else that might have your details on file to send you payments.
What happens if I have sent a payment to the wrong place?

Every bank and building society in the UK follows procedures that set out the help they must offer to customers that have made a mistake when sending a payment. These procedures cover all Faster Payments (this means virtually every online and mobile banking payment in the UK) and Direct Credits – the type of payment commonly used to pay salaries.

If you have made a mistake when sending a payment you can expect:

1. In two days...
   When you notify your bank or building society that you have made an electronic payment to the wrong account, your bank will commence action on your behalf within a maximum of two working days.

2. Your bank investigates
   Where your bank finds clear evidence of a genuine mistake, they will contact the receiving bank on your behalf with a request to prevent the money being mistakenly spent. As long as the recipient does not dispute your claim, you will subsequently receive a refund of the protected funds within 20 working days of when you notified your bank.

3. The receiving customer is contacted
   In cases where the circumstances of the claim are not clear cut, your bank will still contact the receiving bank on your behalf. The recipient will be contacted by their bank to ask for consent to debit their account. No funds would be removed without the consent of the receiving customer.

4. Response within 20 days
   If it is not possible to reclaim a payment you have sent in error – for instance if the recipient disputes its return – you will be notified of the outcome within 20 working days from the point of your enquiry and in many cases much sooner.

5. Information about options
   If funds cannot be recovered through the standard central process your bank will give you clear and accurate information on the options you have available – such as court action against the recipient.

6. Your legal rights
   The industry procedures do not change the legal rights and responsibilities of you, your bank or the recipient of the funds. Anyone that intentionally spends money that does not belong to them is committing a crime, which can be reported to the police.

How to complain

If you do not get the service you should expect under the new procedures you can firstly follow your bank’s formal complaints procedure. If you are not happy with the outcome, you can take your complaint to the independent Financial Ombudsman Service: www.financialombudsman.org.uk.

Fraud

Whether you are using online, telephone or mobile banking, you have legal protection from losses arising from any payments that you do not authorise. But it is vital to take steps to protect yourself too – if a fraudster deceives you into sending a payment yourself, there is no guarantee that the funds can be recovered.

1. Stop and think about the process you normally go through to make a payment to someone – be suspicious if it differs from the last time you used it.

2. Think about the circumstances in which you are being asked to send money. Be particularly wary if you are asked to send money by someone you do not know.

3. Be wary of unsolicited emails, calls or home visits claiming to be from your bank, the police or someone else you usually deal with.

4. Your bank will NEVER request login details or passwords in full over the phone or by email so never give anyone your details in this way.

5. Fraudsters sometimes try to trick people into making a real payment by claiming “it’s just a test” or money needs to be “moved to a safe account” or “handed to a police officer”.

6. If in doubt, talk to your bank either in branch or on an advertised number.

What should I do about a payment that I didn’t authorise?

If you report an unauthorised transaction to your bank, they will investigate the circumstances on your behalf. As long as you didn’t authorise the transaction yourself, have kept your details secure and have not been a knowing party to a fraud, your bank must refund you immediately — including any bank charges incurred or interest lost as a direct result of the unauthorised transaction.

If your bank rejects your claim, it must explain why — they can only refuse a refund if they can prove you authorised the transaction, acted fraudulently, deliberately failed to protect your PIN or password or did not report it within 13 months.
If you would like more information about your payment options, including anything in this leaflet, visit www.payyourway.org.uk, ask in your bank, or contact us – we’ll be more than happy to help you.

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