

The complaint

Mr R is unhappy that Barclays Bank UK PLC (Barclays) have held him responsible for a loan taken out in his name, as well as some additional payments made from his account. Mr R says he didn't take out the loan or make the subsequent transactions.

What happened

In October 2019, Mr R says he discovered that a loan for £6,700 was taken out in his name with Barclays after having some issues trying to access his mobile banking app. In addition to this, he also noticed two transactions, an ATM cash withdrawal and an Assisted Service Device (ASD) cash withdrawal - totalling £2,000 - had also been made from his account on the same day as the loan funds had credited his account. Mr R has said that he didn't apply for the loan and he didn't make the two later transactions either.

In November 2019, Mr R says he visited a local Barclays branch in the hope of resolving the dispute. During his visit, he was told to call Barclays' fraud department and was told by someone on the helpline that he wouldn't owe anything on the loan. However, after this visit, he continued to receive text messages and letters from Barclays explaining he had missed payments on the loan.

Mr R visited the local branch again in January 2020 and this time a complaint was raised in relation to the disputed loan and subsequent transactions. He received a final response to the complaint from Barclays in April 2020. In the response, Barclays told Mr R they were unable to accept his claim that the disputed loan and transactions were fraudulent. This was because their investigation showed the transactions were completed with Mr R's genuine card and PIN and Barclays couldn't establish a point of compromise for any of the required information. Mr R had said only he knew his PIN and his card was in his possession at the time. Whilst Barclays said they couldn't accept Mr R's fraud claim, they did offer him £450 for the inconvenience of failing to correctly understand his complaint when he'd previously visited his local branch to raise the dispute as well as also acknowledging he'd been provided with incorrect information.

Unhappy with the final response, Mr R brought his complaint to our service. Our investigator looked into the complaint. During her investigation, she was told the following:

What Mr R said

- Mr R explained he hadn't been in the area where the disputed transactions took place.
- He lives alone and always had his bank card on him. He also confirmed no-one else would've had access to his card or other banking details.
- He confirmed he did make a payment to a friend via his mobile banking on the same day as the disputed activity.
- He had previously taken out a loan with Barclays in November 2018, which he was paying off each month. However, he was unable to continue paying this as Barclays

then closed the account and merged it with the disputed loan. He's since discovered that Barclays have applied negative information on his credit file due to his failure to make payments on the disputed loan.

- The situation has left him feeling extremely worried about his financial position.

What Barclays has said:

- Mr R has told them he didn't apply for a loan, nor did he make any of the transactions after the loan had credited his account.
- A mobile banking registration process was completed on Mr R's profile a few days before the disputed activity took place. This resulted in the mobile banking facility being useable on a new device. For this to happen, Mr R's card and PIN were required. Mr R has told them he didn't complete this mobile banking registration.
- The person who carried out the ASD cash withdrawal would've needed to know additional information about Mr R in order to complete the transaction. This is in addition to needing access to Mr R's genuine card and PIN. They've also confirmed the card used was the same one which had been issued to Mr R a few months earlier in July 2019 and also that there had been no changes to the PIN for the card as far back as September 2017.
- A further transaction was made from the same ASD machine for £1,950 on the same day in the form of a transfer. But this was subsequently returned. Barclays has confirmed that Mr R's genuine card and PIN would've been needed for this transaction as well. They're unable to provide any further information about this payment beyond this.
- The disputed loan was a 'top up' loan. This meant part of it was used to pay off the previous undisputed loan Mr R had taken out in November 2018. This also explains why a reduced amount of just under £6,000 ended up crediting Mr R's account on 25 October 2019 rather than the full £6,700.
- They made the decision to hold Mr R liable for both the loan and the transactions as they believe it's most likely that he authorised both – there's no explanation for how various things such as his card and PIN were compromised.
- They've confirmed an amount of just over £3,600 was moved out of Mr R's account into an internal sundry account when the accounts were closed down. They've confirmed that this amount remains in the sundry account.

Our investigator considered the information available to them and agreed with Barclays that it was most likely Mr R had authorised both the loan and the later transactions. She couldn't see how someone else would've been able to complete the disputed transactions given Mr R has said no one else had access to the card and PIN. She also highlighted that the payment Mr R confirmed he'd made to his friend was made from the same device as the one used to apply for the disputed loan as well as a disputed £100 transfer between Mr R's accounts which happened shortly before the loan credited the account. This device also matched with the phone number that Mr R had registered both with Barclays and our service. And given Mr R had also confirmed that no-one else had access to his phone – our investigator was also persuaded this it was most likely Mr R had applied for the loan as well.

Finally, our investigator also felt that whilst Barclays had caused Mr R inconvenience by repeatedly having to visit his local branch to try and resolve the issue, she felt the £450 already offered was reasonable.

Mr R (and his representative) disagreed with our investigator's view. In response to the view, they said the following:

- They remain unsure where the rest of the funds relating to the disputed loan have gone – which could've been used towards the settling the loan ultimately reducing the interest that has accrued since
- Barclays stopped and returned an attempted transaction of £1,950 – but didn't inform Mr R about their reasons for stopping this transaction.
- Mr R was continually provided with conflicting information at varying stages. For example, at some stages he was told he wouldn't be held liable for the loan, then this was changed, and Mr R was told his claim had been declined by the fraud team. Overall, they feel Barclays have acted very unprofessionally throughout the course of this complaint.
- They've highlighted that it's possible for things such as bank cards to be cloned as well as phones and banking apps being able to be hacked. So they feel it's unfair the outcome was made based solely on the fact there was no point of compromise to the necessary details.

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.

The relevant regulations in relation to the disputed transactions involved with this complaint are the Payment Services Regulations 2017 (PSRs). I won't go into specific detail here but in summary the regulations set out when a customer is responsible for transactions which happen on their account. This is typically when the transactions have been authorised by the customer in some way. And where there's a dispute about whether a customer has authorised transactions or not, the bank would be expected to provide evidence as to why they're holding their customer liable.

Having reviewed the information provided by both Barclays and Mr R – I agree with the outcome that our investigator reached. I'll explain why below.

There are two elements to consider:

- the application of the loan
- the disputed transactions which followed

In terms of the application of the loan, I can see Barclays has been able to provide evidence of the device the application was made from. I'm satisfied this was the same device which was used roughly an hour and a half earlier for a payment which Mr R has confirmed to our investigator that he did make. I appreciate Mr R has said he didn't register this new device (which from the evidence I've seen happened four days before the disputed activity). But if that was the case – I would question how Mr R has been able to make the genuine mobile banking payment from the same device shortly before the loan was applied for. Barclays has also confirmed that in order for the new device to be registered – someone would've also needed access to Mr R's genuine card and PIN to verify the registration. Mr R has told our investigator that no-one else had access to his card or knew his PIN. As a result, I'm also not persuaded there's a plausible explanation as to how someone else could've completed the registration process in the first place.

I can also see that when this device was registered, it was alongside the same phone number that Barclays had for Mr R – as well as the same one that was provided to our service when we received the complaint. If a fraudster had been the one to register this new device, I'm not sure why they would run the risk of registering it alongside Mr R's recognised phone number – as this would increase the likelihood of Mr R finding out what happened. In

addition to this, I'd have also expected a fraudster to have made the most of being able to access the mobile banking on a new device. But instead – they wait four days before attempting any payments out of the account – even though there was an available balance to potentially transfer out at the point of registration. For these reasons, I'm persuaded (on balance) that it's most likely this was a device that was associated with Mr R.

I've then thought about how plausible it would be for someone to have been able to obtain this device only an hour and a half after it had been genuinely used – as well as being able to obtain the correct login credentials in order to access Mr R's mobile banking to apply for a loan. During a visit to branch, I can see Mr R (and his representative) has suggested his phone may've been hacked – but I haven't seen any evidence which persuades me this was the most likely scenario. Mr R has also confirmed that no-one else had access to his phone around the time of the disputed activity. And so I think this unlikely. Instead, I think it's most likely that Mr R was the one to apply for the loan.

Another reason why I'm persuaded this is most likely is because of the nature of the loan itself. Barclays has confirmed this was a top up loan. This is essentially a loan which is used to pay off some kind of pre-existing loan or finance with the same provider. Barclays has also evidenced wording in the disputed agreement which implies the applicant had to choose if they wanted the loan to be used to offset any pre-existing loans or finance:

"Then, as you've asked us to, we'll use your new loan to repay your existing loan with us as detailed below, or any other borrowing with us you've told us you would like to pay off"

If a fraudster was the one applying for the loan, I'm unsure why they would choose to apply for this ahead of a standard loan. This would ultimately mean the fraudster would have less money to be able to use after the top-up loan had been used to offset any pre-existing loans and finance held by their victim with no benefit to them.

Considering the above, I'm persuaded overall that it's most likely Mr R did apply for the loan. And it is therefore fair and reasonable for Barclays to hold Mr R liable for it.

I've then thought about the disputed transactions which took place from Mr R's account after the loan had been credited. In order for both the ATM and ASD withdrawals to take place, Mr R's genuine card and PIN would've been required – the same as when mobile banking was registered on the new device. As I've already mentioned, I've thought about whether there's a plausible explanation for how someone else could've obtained these things. But given that Mr R has confirmed no-one else had access to the card or PIN – I'm not persuaded there is an alternative explanation for what happened. Therefore, I think it's most likely these withdrawals must've also been authorised by Mr R in some capacity.

I appreciate Mr R's representative has suggested the possibility that Mr R's card could've been cloned. However, I'm not persuaded this was the case and I don't consider it the most likely explanation as to what happened. Cards can be cloned by fraudsters copying the magnetic stripe on the back of cards. But I've not seen any credible evidence of the embedded chip being able to be copied. On this occasion, both the ASD and ATM transactions have been authenticated as a result of the chip on the card being read and then the subsequent PIN being entered. Therefore, I'm satisfied it was Mr R's genuine card being used and not a clone.

Finally, I've thought about how Barclays handled Mr R's claim from when he first made them aware of what happened. It's clear the issue went on for a number of months – and involved Mr R visiting branch on a number of occasions during that time which I appreciate would've been frustrating for him. And whilst I haven't seen any evidence to specifically show this, I have no reason to doubt that Mr R may've initially been provided with some incorrect

information in regard to the outcome of his claim – Barclays have admitted as such. For the length of time taken as well as being provided with incorrect information, I do think it was reasonable for Barclays to award some compensation for this. However, I've thought about whether the amount offered - £450 – is reasonable on this occasion. Having done so, I'm satisfied it is and won't be asking Barclays to award anything further.

I've also considered Mr R's concerns that interest has continually been applied to the outstanding loan balance. As I'm satisfied Mr R is liable for the loan – Barclays would be entitled to add interest at the agreed rate set out in the original loan agreement. So I'm not persuaded this has been applied unfairly. I'm also aware that Mr R's representative has said that Barclays had agreed to put this matter on hold whilst the complaint was being considered. I haven't seen any evidence which confirms that – but even if I accepted that Mr R and his representative had been told this, this doesn't mean that interest wouldn't accrue still during this time. It just means that the matter couldn't be pursued until the complaint had been resolved and Mr R had ultimately been held liable.

I note the other issue Mr R and his representative have raised is the whereabouts of an amount of just over £3,600 which left Mr R's account in November 2019. As mentioned earlier, Barclays has said the money has been moved to an internal sundry account – where it still remains. It is for Mr R and Barclays to discuss whether these funds are now accessible and whether they can now be used to reduce the outstanding loan balance. But as this didn't form part of Mr R's initial complaint, I won't be commenting on this further here.

My final decision

My final decision is that I don't uphold Mr R's complaint against Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 14 January 2022.

Emly Hanley
Ombudsman