

The complaint

Mr and Mrs M are unhappy that Barclays Bank UK PLC ("Barclays") hasn't reimbursed them after they were the victims of a scam.

What happened

On 24 February 2021 Mr M made two payments to the account he thought belonged to a builder he and Mrs M had agreed would be carrying out renovations on their home. Unfortunately, a scammer had intercepted emails between Mr M and his genuine builder and had directed him to pay the scammers account.

Mr M made an initial payment of £2,000. This was identified by Barclays as unusual and it called Mr M to confirm the payment was genuine, which during the call he confirmed it was and Barclays allowed the payment to be made. Mr M then made a second payment of around £1,700 about four hours later. This payment was again identified by Barclays, but given the call it had with Mr M earlier that day, the payment was released and no further verification carried out.

The emails from the scammer appeared to be from the same email address as Mr M's genuine builder and appeared in the existing email chain between them. The scammer had also sent a quote detailing the work that had been discussed with the genuine builder adding credibility to the contact.

Barclays also felt it had provided effective warnings as it was required to under the Lending Standards Board Contingent Reimbursement Model (the CRM Code). It didn't feel Mr M had carried out enough checks to verify he was sending the money to his genuine builder. It said he had sent money to the builder previously and could've checked the bank details used on that occasion to make sure they matched. Overall it felt Mr and Mrs M were liable for the loss. But, it reimbursed Mr and Mrs M the second payment made to scammers as it felt it should've contacted him to verify it as it had done in the case of the first payment.

Barclays also acknowledged that the waiting times Mr and Mrs M experienced when trying to report the scam and while it was looking into things was outside of its general service levels and paid them £200 to acknowledge the inconvenience this would've caused. This amount was paid to Mr and Mrs M and appears to have been accepted in relation to the customer service issues. But they remained unhappy with the outcome Barclays had reached when considering their claim.

Our investigator upheld the complaint. They didn't think the warning Barclays had given was impactful enough, and they felt Mr M hadn't been unreasonable in believing he was paying his genuine builder. Barclays didn't accept their view so the complaint has been passed to me to make a 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

THE CRM CODE

Barclays has signed up to, and agreed to adhere to, the provisions of the CRM Code which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

It is for Barclays to establish that one of the applicable exceptions under the code apply. Those exceptions are:

- The customer ignored an effective warning in relation to the payment being made.
- The customer made the payment without a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate

There are further exceptions within the CRM Code, but they do not apply in this case.

Has Mr M ignored an effective warning?

The CRM code says that, where firms identify APP scam risks, they should provide effective warnings to their customers. The code also says that the assessment of whether a firm has met this standard or not should include consideration of whether compliance with that standard would have had a material effect on preventing the scam. It's clear Barclays did identify a risk here – it's confirmed it contacted Mr and Mrs M to verify the payments in question were genuine. So it also needed to provide an effective warning as defined by the CRM code.

The code sets out that an effective warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. As a minimum, the CRM code sets out that an effective warning should be understandable, clear, impactful, timely and specific.

Barclays has said in this case it identified an APP risk in the case of both payments, and it feels the warnings it provided did meet the definition of an effective warning as set out in the code. But I don't agree, for similar reasons to the investigator.

The warning opens by talking about safe account scams and mentions HMRC and the police, none of which applied to Mr M's situation. It goes on to reference paying for building work, and advised him to check the tradesperson was legitimate by researching and reading reviews. But this advice didn't apply to Mr M's situation either and wouldn't have helped him uncover the scam as the issue here isn't that his builder wasn't legitimate.

At the end of the warning it says *"Fraudsters can intercept emails and invoices from genuine tradespeople and change the account details and name to their own, so speak directly to your payee to verify their details."* Whilst this does apply to Mr M's situation, it's at the end of a long warning that mentions several other scenarios that don't. So I think this lacks impact.

The warning also doesn't explain any of the specifics of an email intercept scam such as how the scam tends to work, what it means or that emails from the scammer may appear genuine. So I don't think it's impactful because it didn't give Mr M any indication of what specifically to be on the look out for.

Overall, I don't think Barclays has shown me Mr and Mrs M ignored an effective warning in this case.

Did Mr M have a reasonable basis for believing what he was told by scammers?

Having considered the circumstances of this complaint I'm satisfied Mr M had a reasonable basis for believing the payments he made were genuine, and he was paying who he expected to.

The emails from the scammers are from the builder's genuine email account. They appear in the existing email chain between Mr M and the builder and contain considerable detail about the work being carried out and the specifics of Mr M's renovations that are authentic to his conversations with his genuine builder. And I don't think there was anything unusual or obviously suspicious in the language or writing style that ought to have concerned Mr M or alerted him to a problem.

The scammer provided a lot of detail around why they wanted additional payment. They provided a plausible story that they were making another order of materials for another client, similar to the ones Mr and Mrs M wanted to use and ordering everything together would reduce the overall cost. They provided a breakdown of what this cost was. They explained they would need a deposit for the materials so they could order them at this reduced rate which explained why more money was being requested at that point.

The scammer also asked Mr M to pay a 'supplier' directly, meaning he'd need to pay a different person. And although Mr M initially agreed to do this he then had second thoughts and asked only to pay the builder to allow him to keep track of what he was paying. Which, given he was in the process of moving house and paying for the renovations, seems reasonable. The scammer agreed but indicated there was a different account he should pay for the materials which is why and how different account details were provided. This second account was still in the builder's name – the same name that was on the account Mr and Mrs M had previously made payments to.

I think the changed account details came up quite subtly in the course of Mr M's conversation with the scammer, and this gave it credibility. And I think the information and reasoning given to him throughout was plausible. So I think it's reasonable Mr M accepted he needed to make the payment and that it needed to be paid to a different account.

Although I don't consider the warnings that were given by Barclays were effective as defined in the CRM code, I have thought carefully about whether or not they ought to have impacted Mr M's basis for believing the payments were genuine. But overall I don't think so. The warning does refer to email intercept scams and it does explain account details and account names can be changed. But this warning is at the end of what is essentially a list of scams that someone might fall victim to. And Mr M has said although he saw the warning he thought it was simply generic information, not something that applied to him.

He's also said he does recall seeing that it said to verify payment details. But as far as he was concerned he'd been having a detailed conversation with his builder about the payment he was making, what it was for, why it was different to what was expected and why it was to a different account. So overall I don't think the warning reasonably ought to have undone Mr M's belief.

Barclays has said Mr M should've cross referenced the bank details he was being given with the bank details he'd previously used to pay his genuine builder. But it's not in question here whether Mr M knew he was paying a different account. He was aware of this, but for the reasons given he thought there was a legitimate reason for it and as I've said I think this was reasonable in the circumstances.

Overall, I think this particular scam was executed in a sophisticated enough way that I just don't think a reasonable person would've spotted something unusual was going on. So I don't think it's unreasonable Mr M believed the payments he was making were genuine or that he didn't carry out any further checks before making them.

Could Barclays have done more to stop the payments being made?

It's clear Barclays has measures in place to be on the look out for and identify payments that might indicate its customers are at risk of financial harm. In this case, both of the payments Mr M made to scammers were stopped so Barclays could carry out further checks to verify the payments before they went through.

In the case of the first payment it's said that Mr M confirmed it was genuine, so it allowed it to be made. But based on what it's said I don't think it went as far as it reasonably ought to have in confirming this was the case. I haven't seen much detail of this call. Mr M has told us he was only asked if the payment was being made by him and the name of the account holder was given. But I think it should've gone further as whilst this might have verified Mr M was making the payment himself, it doesn't offer any protection around any kind of APP scam he might have been victim to.

I can't see any reason why, if asked, Mr M wouldn't have been honest about what he thought he was doing – paying his builder. And given what Barclays reasonably ought to know about email intercept scams I would've expected the person he spoke to, to have asked about how he obtained these payment details, whether this was over email, whether they had recently changed, and whether he had checked them directly with the intended recipient by speaking to them.

Had it done this I think Mr M likely would've confirmed he'd received the details by email and they had recently changed. So I would've expected Barclays to have given him a targeted warning about email intercept scams, how they tend to work and advice on how he could protect himself from them. Had this happened, I think Mr M likely would've spoken to his builder to verify the payment details and the scam would've been uncovered.

As such, I think Barclays missed an opportunity to prevent the payments being made and needs to pay additional interest in relation to this as outlined below.

I can see it would've been very stressful for Mr and Mrs M not to be able to get through to someone to report the scam, and then to have to wait so long for an outcome at an already very stressful time for them. Overall, I think the £200 already paid is sufficient compensation in the circumstances.

Putting things right

- Barclays should reimburse Mr and Mrs M for the first payment made to scammers (£2,000). As the money likely would've remained in their current account had the scam not occurred, interest should be applied to this amount at a rate of 8% from the date of payment (24 February 2021) to the date of settlement.

- In the case of the second payment, interest should be applied at a rate of 8% from the date of payment (24 February 2021) to the date this amount was reimbursed to them – to reflect the period they were without their money.

My final decision

I uphold this complaint and require Barclays Bank UK PLC to pay Mr M the redress set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs M to accept or reject my decision before 27 May 2022.

Faye Brownhill
Ombudsman