

## **The complaint**

Mrs K complains that Citibank UK Limited won't refund the money she lost when she was the victim of a scam.

## **What happened**

Mrs K's husband was looking for alternative investments and came across an investment company while searching online. After speaking to the investment company over the phone, he suggested Mrs K invest with them. So Mrs K sent a payment of €12,500 from her account with Citi to the account details the investment company gave her. Unfortunately, we now know the investment company was a scam.

Mrs K was given access to an online trading platform to monitor her investment but became concerned when, a few months later, the balance of her investment suddenly decreased. The investment company sent her a number of emails explaining they were having technical issues with the platform. But Mrs K was still concerned so contacted Citi and the scam was uncovered.

Citi investigated but said it was satisfied Mrs K had authorised the payment. It also didn't think the payment was out of character or unusual for Mrs K, so didn't think it should have asked any further questions before allowing it to go through. And so it didn't agree to refund the money she'd lost. Mrs K wasn't satisfied with Citi's response, so referred her complaint to our service.

One of our investigators looked at the complaint. They said Mrs K hadn't used her account very much and this payment was for a significant amount. So they felt Citi should have asked further questions about the payment before allowing it to go through. And that, if it had, the scam would have been uncovered and Mrs K wouldn't have lost her money. So our investigator said Citi should refund the money Mrs K lost. Citi didn't agree with our investigator, so the complaint has been passed to me.

## **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.

Having done so, I think Citi should refund the money Mrs K lost as a result of this scam. I'll explain why below.

Mrs K accepts she made the payment herself. So while I recognise she didn't intend for the money to go to scammers, she did authorise the payment. And so, under the Payment Service Regulations, the starting position is that she is liable for the payment and Citi doesn't have to refund it.

However, taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I think Citi should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

So I've also considered whether Citi should have identified that Mrs K was potentially at risk of fraud as a result of the payment.

Having looked at the statements for Mrs K's account, I think this payment was unusual and out of her character for her. The account was not used frequently, with no other outgoing payments in the previous six months. The funds for this payment had only been transferred into the account around a week earlier and the payment used up almost the entire balance of the account. And the payment was for a large amount and was being made to an international account. So I think Citi should have identified that Mrs K was potentially at risk of fraud as a result of this payment and carried out additional checks before allowing it to go through.

I accept it's not for this service to dictate the checks Citi should do or the questions it should ask. But, particularly given the size of this payment and that it was being sent internationally, I think in these circumstances it would be reasonable to expect these checks to include questions about who the payment was going to and the purpose of it.

I've not seen anything to suggest Mrs K had been told to lie about the purpose of the payment so, if asked, I think she would have told Citi the payment was for an investment. On being told this I think Citi should then have warned Mrs K about the possibility of investment scams and suggested she make sure she's happy the investment company is genuine, including checking whether they are authorised by the FCA.

As Citi is in a position of knowledge and authority in financial matters, I think its warning and suggestion would have carried considerable weight with Mrs K. So I think she would then have checked whether the investment company was authorised by the FCA. And as the FCA had issued a warning about the investment company two months before, saying it was unauthorised and customers should be wary, I think Mrs K would have seen this warning and the scam would have been uncovered.

So if Citi had taken further steps to check whether Mrs K was potentially at risk of fraud, as I think it should have done, I think the scam would have been uncovered and Mrs K wouldn't have made the payment of €12,500. And so I think Citi should refund the €12,500 Mrs K lost.

I've also considered whether Mrs K should bear some responsibility for the loss she suffered, but I don't think it would be fair for her to do so. This was a sophisticated scam and her husband had spoken to the investment company over the phone, which would have made them seem legitimate. The online reviews of the company were mostly positive at the time. And while Mrs K could have done further checks into the company before Citi's

involvement, she wasn't an experienced investor and so I don't think it would be fair to say she acted unreasonably in not doing so.

So I think Citi should refund the full amount of the €12,500 payment. And as Mrs K has now been without that money for a period of time, I think Citi should also pay her compensatory interest at the rate of 8% simple a year from the date of the payment until the date it is refunded.

### **My final decision**

For the reasons set out above, I uphold Mrs K's complaint and require Citibank UK Limited to:

- Refund Mrs K the payment of €12,500
- Pay 8% simple interest a year on that refund, from the date of the payment until the date of the refund

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 26 August 2022.

Alan Millward  
**Ombudsman**