

The complaint

Mr B complains that AIB Group (UK) Plc (“AIB”) won’t refund him £7,000 that he lost when he fell victim to a scam.

What happened

Mr B had been looking for a motorbike online when he came across an advert on an auction site for one he liked the look of. Mr B contacted the seller and was told the motorbike would need to be delivered to him, by a third-party delivery company, as the seller was currently living in another part of the UK. Mr B was told that any payments would be made via PayPal to the third-party shipping company who would then hold the funds on his behalf until he confirmed he was happy with the motorbike. Mr B did complete some checks on the motorbike itself, including that the MOT was registered in the seller’s name.

Mr B then logged into his online banking and transferred the total cost of the motorbike to what he thought was a PayPal account but which was actually the fraudsters account. And, eventually, when the motorbike didn’t arrive, Mr B became suspicious and realised he’d been scammed. He reported the scam to AIB as soon as he realised what had happened.

AIB contacted the recipient bank in order to see if it could retrieve any of Mr B’s funds. But by this time, all of the funds had been removed and AIB declined to offer Mr B a refund of the amount he had lost. It said one of its agents had contacted Mr B to verify the payment after he had requested it online. It said the agent discussed the risks of vehicle scams with Mr B at the time and he had confirmed he had been happy to proceed. AIB also said it had followed the correct procedures in contacting the beneficiary bank in attempting to recover Mr B’s funds. But as the money had already been removed from the recipient account, there wasn’t anything further it could do.

Unhappy with AIB’s response, Mr B brought his complaint to our service and one of our investigators looked into things. Our investigator thought Mr B’s complaint should be upheld. She thought that were a number of things said in the telephone conversation between Mr B and AIB’s agent that should’ve put AIB on notice that Mr B might be about to fall victim to a scam. She therefore felt that AIB could’ve prevented this scam from the outset.

AIB didn’t accept our investigators findings and it asked for an Ombudsman’s review, 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.

In deciding what’s fair and reasonable, 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. Having done so, I’m

mindful to reach the same outcome as our investigator - for largely the same reasons. I'll explain why.

In broad terms, the starting position in law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account. 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 consider AIB 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. 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.

This means that, particularly with the increase of sophisticated fraud and scams in recent years, there are circumstances where a bank should fairly and reasonably take additional steps, or make additional checks, before processing a payment, or in some cases decline to make a payment altogether, to help protect customers from the possibility of financial harm.

So, in this case, I need to decide whether AIB acted fairly and reasonably in its dealings with Mr B when he transferred £7,000 to a fraudster and when he reported the fraud, or whether it should have done more than it did.

It is not in dispute that Mr B authorised the transfer himself. Because of this, AIB had an obligation to follow his instructions. But there are some situations in which it should reasonably have had a closer look at the circumstances surrounding the transfer - as I've explained above. In this case, AIB did contact Mr B to discuss the payment before it left his account and I acknowledge that vehicle scams were discussed. However, I don't think this conversation went far enough and I think AIB could've uncovered the scam here, I'll explain why.

I've listened to a recording of the call that took place between Mr B and AIB and I'm satisfied that there were a number of things said in the telephone conversation between Mr B and AIB that should've put AIB on notice that Mr B was about to fall victim to a scam. During the call AIB's agent asks Mr B to confirm the purpose of the payment he had just made and the circumstances that Mr B sets out - that he is paying for a motorbike that he hasn't seen and that he has been told will be delivered to him with a money back guarantee should anything be amiss - has all the hallmarks of a well-known scam. This should have been the type of thing that calls like the one made here are designed to uncover and I'm satisfied that the information put forward by Mr B should've put AIB on notice that something might be amiss. However, the focus of the call appears to be on warning Mr B about the type of scams AIB has seen recently and the checks he has completed on the motorbike itself rather than engaging with the reasons why Mr B is saying he is making the payment, which I'm satisfied should have given AIB, as the industry expert, cause for concern.

In addition to the circumstances provided by Mr B, he also says he is making a payment to PayPal and more specifically, to PayPal's escrow service. But this isn't a service that PayPal

offer. It also should have been clear that Mr B wasn't making a payment via PayPal. If he had been, the payment would be made via his PayPal account, not via a bank transfer.

In summary, I'm satisfied that there were a number of red flags here, that AIB, as the industry expert, should have picked up on. Mr B's circumstances had all the hallmarks of a classic vehicle scam. And I'm satisfied that had AIB pointed this out to Mr B at the time, the scam could've been prevented. I'm not persuaded that Mr B would've continued with the payment. He says a number of things during the call that suggest he is looking for reassurance from the bank that everything is above board.

I understand that AIB have queried why our investigator felt that one of its agents would've been expected to know that PayPal do not offer an escrow service. I am aware that they have asked to be directed to where this is documented. I want to make it clear that I am not saying that AIB's agents should know the inner workings of PayPal. But I would expect them to be able to identify the key characteristics of well-known scams – such as this one. Telling the customer that the funds will be held in escrow until the vehicle is delivered is a well-known tactic used by fraudsters in scams such as this and I would expect AIB, as the industry expert, to have known this.

AIB have also queried why the customer saying they were making a payment to PayPal should've been picked up on as strange. They've pointed out that paying for goods and services via PayPal is a method of payment used by millions of customers each day. And so I also want to make it clear that Mr B saying he was paying via PayPal should've caused concern in this particular scenario because he wasn't making a payment through PayPal at all, he was requesting a bank transfer via his bank and he was discussing this payment with his bank at the time. And so it should've been clear to AIB that what Mr B thought was happening, wasn't what was happening at all.

Overall, I'm satisfied that the conversation AIB had with Mr B didn't go far enough and crucial red-flags were not picked up on when they should've been. The scam warning provided during the call was generic in nature and not tailored to Mr B's specific circumstances despite AIB being informed of them at the time. I am satisfied that AIB missed an opportunity to identify that Mr B was at risk of financial harm from fraud which could've ultimately prevented the scam. I'm therefore persuaded it should fairly and reasonably reimburse Mr B for the loss he suffered, without any reduction, together with interest, to compensate him for being deprived of his funds.

My final decision

For the above reasons, I have decided it is fair and reasonable to uphold this complaint about AIB Group (UK) PLC and I therefore require the bank to:

- Pay Mr B £7,000 within 28 days of receiving notification of his acceptance of my final decision;
- Pay interest on that sum at the rate of 8% simple from the date of the loss to the date of refund.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 October 2022.

Emly Hanley
Ombudsman