

The complaint

Mr and Mrs B complain that Barclays Bank UK PLC (Barclays) has refused to refund them the amount they lost as the result of a scam.

As Mr B had most of the dealings with the scammers and Barclays for ease of reading, I'll refer to him alone through this decision.

What happened

Mr B were looking to invest some of their money and found an advertisement online for the business 23 Traders. 23 Traders claimed to be specialists in binary options and as this was of interest to Mr B he completed a contact form.

23 Traders contacted Mr B by telephone and built confidence with him. Mr B was convinced to transfer funds from other sources before transferring funds from his Barclays bank account. The investments that were made appeared legitimate. Mr B was then convinced by 23 Traders that investing more would maximise his potential profit.

Mr B sent a total of £53,100 to 23 Traders from his Barclays current account (using his Visa debit card) between 3 – 10 January 2017 as set out below:

1. 3 January 2017 - £250
2. 3 January 2017 - £4,750
3. 3 January 2017 - £5,000
4. 3 January 2017 - £5,000
5. 10 January 2017 - £4,100
6. 10 January 2017 - £4,000
7. 10 January 2017 - £5,000
8. 10 January 2017 - £5,000
9. 10 January 2017 - £5,000
10. 10 January 2017 - £5,000
11. 10 January 2017 - £5,000
12. 10 January 2017 - £5,000

The 23 Traders website was then shut down and it stopped replying to Mr B's emails.

Our Investigator considered Mr B's complaint and thought it should be upheld. She thought the third payment to 23 Traders of £5,000 made on 3 January 2017 (the second large payment that day) should have been significant enough to trigger Barclays' fraud prevention measures, and it should have stepped in at this stage to ask questions about the payments.

Our Investigator felt that had Barclays stepped in at this time and asked relevant questions it was likely Barclays would have been able to see the payments were most likely part of a scam and prevented any further loss.

Barclays disagreed so this complaint has been passed to me to decide.

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 circumstances of this complaint are not in dispute and the evidence provided by both Mr B and Barclays set out what happened well. What is in dispute is whether Barclays should refund any of the money Mr B lost because of the scam.

Mr B has accepted he authorised the payments he made to 23 Traders, so the starting point here is that Mr B is responsible. However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

Having looked over Mr B's bank statements for the 12 months prior to the payments made to 23 Traders I can see that the account balance was kept relatively low with no payments over £1,000 being made. Except for one large payment of over £100,000 being in August 2016.

On 3 January 2017 Mr B made several consecutive payments to 23 Traders, a business he had not made any payments to before. The first payment was for a low amount of £250 which was not too dissimilar to other payments usually made from this account, so I think it was reasonable that this payment was processed without any intervention by Barclays.

The second payment Mr B made from this account was for a much higher amount of £4,750 to 23 Traders. While this was to a business Mr B hadn't made payments to before this day, at this point it was one singular larger payment and I don't think it would be reasonable for me to suggest that Barclays needs step in and stop all larger payments made by its customers. In any event this payment wasn't of such a significant value that I think it would reasonably trigger Barclays' fraud prevention systems by itself.

The third payment on the same day was for £5,000 this is a significant value not in keeping with the way Mr B previously used their account. It was also the third payment made that day and was becoming an unusual pattern of payments. This payment brought their total payments that day to £10,000 which was also out of keeping with the usual running of the account.

I think this series of payments should have been sufficient for Barclays' to have intervened to check that all was well. At this stage Barclays should have stepped in and asked Mr B in depth questions to find out what the payments related to.

If Barclays had stepped in, I think it's likely Mr B would have explained the reason they were making the payments. Barclays would have likely warned them about the high risk of binary option investments and the types of scams they have seen, which I think would have been like that Mr B was experiencing at the time. I note 23 Traders were operating without being licensed by the UK's Gambling Commission (as required at the material time) and they appeared to be pressuring Mr B to pay larger sums quickly. With the information Barclays ought to have known about binary options scams at the time, I think these would have been key red flags and they would have likely explained their concerns that this was likely a scam. With this explanation I think it's likely Mr B wouldn't have made any further payments and further losses would have been prevented.

In addition to the expectations on Barclays to have effective fraud prevention systems in place it's expected that customers should take responsibility for their decisions. In the circumstances I don't think it would be fair to say Mr B contributed to the loss. I say this

because Mr B had no previous experience in this type of investment and were lulled into a false sense of security by a business that went to great lengths to appear to be legitimate.

So, I don't think it would be fair to reduce compensation on the basis that Mr B should share blame for what happened.

I think Barclays is responsible for the loss Mr and Mrs B incurred after the £4,750 payment made on 3 January 2017 and should refund Mr and Mrs B all the amounts, they paid 23 Traders after this payment was made.

Putting things right

Barclays Bank UK PLC should refund all the payments Mr B made as part of the scam after the first payment of £4,750 was processed on 3 January 2017 as I think all additional losses should have been prevented by Barclays Bank UK PLC stepping in.

Barclays Bank UK PLC should add 8% simple interest per year to the amount it pays Mr and Mrs B from the time Mr B made the payments to the time Barclays Bank UK PLC provides the refund (less any lawfully deductible tax).

My final decision

I uphold this complaint and require Barclays Bank UK PLC to refund Mr and Mrs B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs B to accept or reject my decision before 10 February 2023.

Terry Woodham
Ombudsman