

The complaint

Mrs P complains that Vanquis Bank Limited (Vanquis) has refused to refund her the amount she lost as the result of a scam.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mrs P's husband had been investing with a business called Irone FX. The account held with Irone FX was showing a profit and Mr P attempted to make a withdrawal for which he was advised a withdrawal fee applied.

Mrs P decided to make this payment through her Vanquis Visa credit card. Mrs P made the following transactions to a cryptocurrency exchange (BitTheBank).

1. 18 January 2021 - £415.67
2. 25 January 2021 – £2,987.00

The funds were then sent from BitTheBank to Irone FX.

Mrs P later realised she had fallen victim to a scam when Irone FX requested further funds to release their profits. Mrs P said Vanquis should have stepped in to protect her from the scam.

Vanquis attempted to process a chargeback for the payments Mrs P made to BitTheBank and temporarily credited Mrs P's account for the funds she had lost. Unfortunately, this chargeback request was unsuccessful, and Vanquis debited the funds back from Mrs P's account.

Vanquis also explained that it did not think it was responsible for Mrs P's loss. The payments she had made in relation to the scam on her credit card were to a legitimate business and would not have triggered its fraud prevention systems.

Our Investigator considered Mrs P's complaint and didn't think it should be upheld. He agreed that the payments Mrs P made were unlikely to trigger Vanquis's fraud prevention systems so it wouldn't have been able to step in and prevent the scam.

Mrs P disagreed so this complaint has now 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 Mrs P and Vanquis set out what happened well. What is in dispute is whether Vanquis

should refund any of the money Mrs P has lost because of this scam.

Vanquis attempted to process a chargeback for the payments Mrs P made in relation to this scam to BitTheBank.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mrs P was dealing with Irone FX, which was the business that instigated the scam. But Mrs P didn't make the debit card payments to Irone FX directly, she paid a separate cryptocurrency exchange (BitTheBank). This is important because Vanquis was only able to process chargeback claims against the merchant she paid (BitTheBank), not another party (such as Irone FX).

The service provided by BitTheBank would have been to convert or facilitate conversion of Mrs P's payments into cryptocurrency. Therefore, BitTheBank provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was later transferred elsewhere – to the scammer – doesn't give rise to a valid chargeback claim against the merchants Mrs P paid. As BitTheBank provided the requested service to Mrs P the charge back attempt failed. As the chargeback attempt was unsuccessful under the rules that apply to the process, I think Vanquis acted fairly when it debited the funds back from Mrs P.

Mrs P has accepted she authorised the payments she made to BitTheBank, so the starting point here is that Mrs P 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.

The question here is whether Vanquis should have been aware of the scam and stepped in to prevent the payments Mrs P was making.

Mrs P made two payments to BitTheBank (a legitimate business) that were separated by seven days. The first payment was made on 18 January 2021 for £415.67 and the second payment was made on 25 January 2021 for £2,987.00. Whilst I can appreciate Mrs P hadn't made payments to BitTheBank before, and usually made much smaller payments from her credit card it wouldn't be reasonable for me to suggest Vanquis should stop all larger payments its customers make to new payees. The amounts these payments were for were also not significant enough that I would expect Vanquis's fraud prevention systems to be triggered.

As I don't think the payments Mrs P made to BitTheBank would reasonably have triggered Vanquis's fraud prevention systems I don't think it would have been aware of the scam or have been able to step in to prevent it. So, I don't think Vanquis is responsible for Mrs P's loss and I am not asking it to refund either of the payments she made.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 27 February 2023.

Terry Woodham
Ombudsman