

The complaint

Mr G complains the Co-operative Bank Plc allowed an unknown third party to change his security details enabling them to make over £7,000 in fraudulent payments.

What happened

Mr G called the Co-operative Bank on 19 October 2022 to say he'd received an email telling him that he'd changed his security details. He said he'd not done so. Mr G says the member of staff he spoke to didn't help and instead kept on saying that this was "worrying". Mr G called again later on that day and says was told his accounts had been frozen and his card cancelled and that he'd need to go to a branch to prove his identity. Mr G says he did so the following day. He says he subsequently checked his credit card account and saw £7,000's worth of transactions he didn't recognise. He reported these transactions as fraudulent.

The Co-operative Bank investigated the transactions that Mr G had reported as fraudulent and ultimately agreed to refund them. The Co-operative Bank did so on 29 November 2022. Mr G was, however, unhappy with the amount of time this took, saying that he'd had to pay much higher monthly payments in the meantime as the transactions weren't removed from his balance whilst the fraud was investigated. He ultimately complained to us.

One of our investigators looked into Mr G's complaint and said that they didn't think the member of staff who changed Mr G's security details should have passed the person who'd called through security as they'd not followed the right process. In other words, they thought the Co-operative Bank could have done more to prevent Mr G's credit card being used fraudulently. Our investigator also thought that the Co-operative Bank should have refunded the fraudulent transactions sooner. So, they recommended that the Co-operative Bank pay Mr G £400 in compensation for the distress and inconvenience he'd been caused.

Mr G was happy with our investigator's recommendations. The Co-operative Bank wasn't. It said that it didn't agree that its member of staff shouldn't have allowed the person who called through security saying that they'd followed the right process. The Co-operative Bank did, however, agree that it took too long to refund the fraudulent transactions. As the Co-operative Bank didn't agree with our investigator's recommendations, Mr G's complaint was passed to me for consideration.

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.

I've listened to the call that the fraudster in this case made to the Co-operative Bank in order to take over Mr G's account. I've also seen the processes that the Co-operative Bank's staff are meant to follow when, for example, updating a customer's security details. I don't think, given the number of times the fraudster got answers to basic questions wrong, and the nature of the call generally, that the member of staff should have passed the fraudster through security. The call as a whole should have caused the member of staff to question whether or not they were speaking to the genuine account holder. The Co-operative Bank's processes make it clear that in such cases security should be failed – that callers shouldn't be given chance after chance to get answers to security questions right as that's exactly what fraudsters try to do – keep on giving answers until they guess correctly. In short, I agree with our investigator that the Co-operative Bank could have done more to stop Mr G's account from being used fraudulently.

I've also listened to the initial call between Mr G and the Co-operative Bank and this wasn't handled well either. The member of staff Mr G spoke to kept on saying that the notification he'd received about his contact details having been changed was "really concerning" and appeared at times to not know what they should be doing next. In the circumstances, I can understand why Mr G felt they didn't help and why, if anything, the way the Co-operative Bank started dealing with this issue made matters worse rather than better.

Putting things right

I agree with our investigator – given everything I've just said – that this complaint should be upheld. I also consider the £400 in compensation recommended is fair and reasonable, and that there's no further steps I need to require the Co-operative Bank to take given that it has refunded the transactions in question. So, that's the award I'm going to make.

My final decision

My final decision is that I'm upholding this complaint and requiring the Co-operative Bank Plc to pay Mr G £400 in compensation in full and final settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 5 September 2023.

Nicolas Atkinson
Ombudsman