

The complaint

Mr R is complaining TSB Bank plc won't refund a payment he made for goods he didn't receive.

What happened

Mr R saw some records advertised on Gumtree and decided he wanted to buy them as a Christmas present. On 8 December 2022 he made a payment to the seller with his TSB debit card, through PayPal's "*friends and family*" option. The payment was for £550.

On 9 December 2022 Mr R became suspicious about whether the seller was genuine. He called TSB to ask for the transaction to be stopped. The first adviser he spoke to told him the pending transaction wouldn't go through if Mr R reported it as fraudulent, but that his card would be blocked. Mr R was transferred to another adviser who told him if he disputed the payment through TSB's app he'd receive a refund.

The payment debited Mr R's account with TSB on 13 December 2022. But Mr R didn't receive the records and the seller stopped communicating with him.

On 21 December 2022 Mr R called TSB again to report the transaction as fraudulent. He completed a dispute form which TSB received on 23 December 2022. TSB investigated, but they didn't agree to refund the money Mr R had lost. They sent Mr R their final response letter, which explained that due to the way the payment was made, it wasn't covered under the chargeback rules. They accepted that they'd given Mr R incorrect advice about the possibility of a refund during his call of 9 December 2022, and offered £50.

Mr R brought his complaint to our service, and it was looked into by an investigator. The investigator didn't think TSB should refund the amount Mr R had lost to the scam, and she thought the £50 TSB had offered was fair compensation for the incorrect information they'd given him.

Mr R didn't agree, so his complaint's been passed to me for review and a decision.

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'm sorry to learn about what happened to Mr R. It does appear he's been the victim of a scam, and I fully understand why he'd feel he shouldn't lose out. But I don't think I can fairly say that TSB should refund the money he lost in the scam. I'll explain why.

It's not disputed that Mr R authorised the debit card payment. And TSB have a duty to act on his instruction. But in some circumstances a bank should take a closer look at the circumstances of the payments – for example, if they ought to be alert to a fraud risk, such as because the transaction is unusual, or looks out of character or suspicious. And if so, the

bank should intervene, usually by contacting the customer directly, before authorising the payment.

I've thought carefully about the circumstances here and I don't think there was anything suspicious or unusual about the payment which should have alerted TSB to intervene. The payment was made using Mr R's debit card and was authorised by him. It wasn't for what we'd generally consider to be a significant amount. I've also reviewed Mr R's statements and I don't consider the payment to have been out of character for how Mr R generally used his account. And as the payments were made online through PayPal and not through TSB, TSB didn't have contact with Mr R before he authorised the payment, in order to identify the potential for a scam.

Overall, I don't think TSB were unreasonable to authorise the payment without intervening on this occasion.

Mr R contacted TSB on the day after he authorised the payment. He's explained that he thinks TSB should have stopped the payment when he called them then. But the payment had been made with Mr R's debit card, and so couldn't be recalled or stopped in the same way that an online transfer sometimes can be.

It's possible to dispute a debit card payment through a process called chargeback, which can sometimes be attempted if something has gone wrong with a debit card purchase, subject to the relevant card scheme's rules. But I don't think that a chargeback would have been successful here, even if TSB has processed one either at the time Mr R spoke to them on the phone on 9 December 2022 or when he called them again to dispute the transaction later on in December. This is because the payment Mr R made to the seller was on the basis that he was paying friends and family, rather than paying a merchant for goods and services. And PayPal's terms make it clear the payment therefore isn't covered by its buyer protection. So I can't see there were reasonable grounds, in line with the card scheme rules, for a claim to succeed in these circumstances

TSB have accepted that Mr R was given incorrect information during the conversations he had with them on 9 December 2022. But I don't think that made a difference to the overall outcome here, because at the time of the call the debit card payment to the seller had already been authorised and couldn't be stopped or recalled - despite what Mr R was told on the phone.

I'm sorry to disappoint Mr R. But for the reasons I've explained, I don't think TSB need to refund the money he lost in the scam. TSB did give Mr R incorrect information about the chances of him successfully being able to stop the payment or claim it back, and I think the £50 offer they've already made is fair and reasonable to reflect the impact of this on Mr R. I understand TSB haven't yet paid this to Mr R, so that's what they should do to resolve this complaint.

My final decision

My final decision is that TSB Bank plc should pay Mr R £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 28 October 2023.

Helen Sutcliffe
Ombudsman