

The complaint

Ms M complains that Citibank UK Limited (Citi) won't refund money she lost in a scam.

What happened

What Ms M says:

Ms M is a founder of fintech companies and was looking to set one up in Africa. For funding, she was looking to raise USD 2million. Through an 'advisor' she was put in touch with an 'investment company' in the UAE. Names of senior officials in the UAE were used – so the scheme looked genuine. The website of the investment company looked professional and genuine.

To complete the deal, the funders were to provide a surety bond. For this, a premium of 4% had to be paid, plus USD12,600 for due diligence. So, a total of USD84,000 was to be paid.

This was paid as to USD50,000 from Ms M's personal bank account in the USA, and USD5,000 from a business account. Ms M paid USD29,000 from her Citi UK bank account - £24,372.47 on 24 June 2022.

Date	Payment	Amount
24 June 2022	Swift payment	USD29,000 - £24,372.47

Communications with the investment company had taken place via email and WhatsApp. But as soon as the premiums were paid, these stopped. No investment funds were received. Then, a further USD25,000 was asked for to complete the deal. At that point, Ms M suspected a fraud and contacted local police in the UAE.

Ms M says Citi should've done more to protect her. The payment was unusual for her – other payments were for far lower sums. She says Citi should have intervened and questioned what she was doing. Had they done so, the scheme would've been stopped. She says that as Citi had businesses in the UAE, they were well placed to realise this was a scam.

Ms M says Citi should refund the money plus 8% per annum interest.

What Citi said:

Citi didn't refund any money. The bank said the payment wasn't unusual compared to Ms M's normal account usage, so Citi didn't need to question it. The bank also said Ms M authorised the payment and so was liable for it.

Our investigation so far:

Ms M brought her complaint to us. Our investigator didn't uphold it. He said:

- The payment was unusual for Ms M to make. There were other payments in recent months, but this one was for far more than those.
- The payment had the hallmarks of a scam – it was a large one-off payment to a new payee and left little money in the account.
- So, Citi should've intervened.
- But, had Citi done so, he didn't think the scam would've been uncovered. There wasn't any adverse information online about the investment firm – until September 2023, when the local regulator published a warning.

Ms M didn't agree and asked that an ombudsman look at her complaint, and so it has come to me to make a final 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 hear that Ms M has lost money in a cruel scam. It's not in question that she authorised and consented to the payments in this case. So although she didn't intend for the money to go to a scammer, she is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. 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 Citi 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 (among other things). 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 make 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.

I need to decide whether Citi acted fairly and reasonably in its dealings with Ms M when she made the payment, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it doesn't apply in this case. That's because Citi hasn't signed up to the Code.

If the payment was of a sufficient size and was out of character with how Ms M normally used her account – then we would expect Citi to have intervened and spoken to Ms M about it.

I looked at Ms M's account, and it's fair to say that the payment was unusual compared to the way in which she normally used her account – there were some large payments in April 2022, May 2022 and June 2022, but all were much lower in value than the payment in question:

April 2022: £2,615, £11,700, £6,500, £3,919.

May 2022: £11,700, £8,017, £4,345, £8,096.

June 2022: £4,129.

And this was a one-off payment to a new payee – and the account was almost drained of funds.

Therefore, I think it's reasonable to say Citi should've have intervened and contacted Ms M.

But I need to decide whether this would have made a difference and whether it would've caused Ms M to stop the payment. And based on the evidence I've seen; I think it's likely she would have gone ahead anyway:

- There wasn't any information suggesting that the investment firm was a scam or similar.
- And Ms M was paying a premium for a guarantee bond. This was the first part of the process of getting the funding and was a condition of it. So, it's unlikely that Ms M would've been persuaded to stop the payment - as this would (as far as she was concerned) have meant the funding wouldn't be provided, so preventing her project from going ahead.
- I don't think it's reasonable to have expected Citi's fraud team to have questioned such an investment deal, given that it would've seemed relatively complex.
- Ms M has argued that the nature of the premium payment was unusual and Citi would've seen through this. But as I see, it, to pay a premium for such a bond is normal business practice. And the amount of the premium (4%) would not have seemed particularly unusual either.
- I also don't think it's reasonable to have expected Citi to have raised questions about the investment firm through their international network – so I set aside Ms M's arguments here.

We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Citi took the necessary steps in contacting the bank that received the funds – in an effort to recover the money. I saw no evidence that this had been done. But given that the scam took place in June 2022, and Ms M complained to Citi much later (in August 2023), there was little point in doing so - as normally in such scams funds are removed from the recipient bank immediately.

I'm sorry Ms M has had to contact us in these circumstances. I accept she's been the victim of a cruel scam, but I can't reasonably hold Citi responsible for her loss.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 3 December 2024.

Martin Lord
Ombudsman