

The complaint

Mr S has complained that Tesco Personal Finance Limited (trading as “Tesco Bank”) hasn’t refunded the money he lost as part of a fraudulent transaction.

What happened

The background of this complaint is already known to both parties, so I won’t repeat all of it here. But I’ll summarise the key points and then focus on explaining the reason for my decision.

Mr S says that in August 2023 his wife received an email from an online travel agent regarding an upcoming hotel reservation for a planned trip to India in September 2023. The email contained a payment link requesting immediate payment to secure the booking for the hotel. Mr S says that the email warned that failure to make the payment would result in the reservation being cancelled.

As he was concerned about losing the booking, Mr S attempted to use his Tesco Bank credit card to make a payment of £139 to allegedly secure his hotel booking, but the transaction was initially unsuccessful. Mr S then attempted another payment of the same amount and he says that shortly after this, both payments appeared as pending transactions on his credit card account. A few hours later, Mr S received an email from the hotel advising against clicking or using the provided link, as it was not secure.

Despite this warning, both transactions for £139 were processed and debited from Mr S’s credit card account under the reference “OA PAY,” which Mr S later discovered was associated with a business in Africa. Mr S contacted the business and at that point he was told that the link in the email was fraudulent.

In addition to the two payments of £139 each, Mr S incurred cash transaction fees of £5.55 per payment. He says he reported the fraud to Action Fraud, but it was unable to help him.

Mr S then contacted the travel agent and the hotel itself to report the matter, but he says neither accepted responsibility for the issue or provided any assistance. He subsequently contacted Tesco Bank’s fraud team for support. Tesco Bank advised Mr S to initiate a chargeback under the MasterCard Chargeback Scheme. But the chargeback claim was rejected and Tesco Bank Mr S says Tesco Bank didn’t investigate the fraud at the time.

Mr S complained to Tesco Bank. In his complaint he said it had failed to properly investigate the fraudulent transactions. Tesco Bank agreed it hadn’t handled Mr S’s dispute correctly, as it had told him to raise a chargeback although the transactions weren’t covered under the chargeback scheme as they were cash transactions. Tesco Bank offered Mr S £50 in compensation for its poor handling of the matter, but Mr S considers this amount inadequate given the financial loss he incurred. He also raised concerns about Tesco Bank’s communication, stating that it only provided its final response via a password-protected email, which he felt was inappropriate and temporary.

As Mr S remained unhappy he referred his complaint to this service. Mr S is seeking reimbursement of the two £139 payments, the associated fees, and adequate compensation for the distress caused by Tesco Bank's handling of his complaint.

Our investigator considered everything and didn't think the complaint should be upheld. She explained she didn't think the payments ought to have stood out to Tesco Bank as significant or suspicious, so she didn't think it did anything wrong by allowing them to be processed without intervening first.

As Mr S didn't accept the investigator's opinion, the case has been passed to me to make 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 disappoint Mr S but having considered everything I'm afraid I'm not upholding his complaint, broadly for the same reasons as our investigator, which I've set out below.

In broad terms, the starting position is that a firm is expected to process payments and withdrawals that its customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And in this case it's not in question whether Mr S authorised these payments from leaving his account. It's accepted by all parties that Mr S gave the instructions to Tesco Bank and Tesco Bank made the payments in line with those instructions, and in line with the terms and conditions of Mr S's account.

The issue in question in this case is the fact that the merchant Mr S thought he was paying (the travel agent) wasn't the merchant he paid. The transactions were fraudulently processed as cash transactions, which meant the instructions Tesco Bank gave to Mr S when he reported the fraud – to raise a chargeback – were incorrect. Consequently this led to Tesco Bank declining Mr S's chargeback, as it should never have been raised.

Tesco Bank has accepted that it made an error and it should've identified this when the dispute was raised. I understand the matter was then referred to Tesco Bank's fraud team, and it paid Mr S £50 for the delay in that happening. I'm satisfied that the £50 Tesco Bank paid Mr S fairly reflects the additional distress this caused Mr S, as Tesco Bank also ensured the dispute was then directed to the correct department to be assessed.

I've now gone on to consider the dispute itself, and the outcome Tesco Bank reached after having completed its fraud investigation.

Whilst I appreciate how frustrating this situation must be for Mr S, Tesco isn't liable for the payments Mr S made in this case. Although Mr S believed he was making payments to a travel agent, the transactions were authorised by him, even if they were made under a misunderstanding about the recipient.

Under the relevant rules, including the Payment Services Regulations 2017, Tesco Bank is only required to refund unauthorised transactions, but as Mr S instructed the payments, they're considered authorised. Tesco Bank had no reasonable way of knowing that the business Mr S was paying was not the travel agent he believed it to be, especially as there was no clear evidence of fraud or misrepresentation during the transaction process. Whilst I understand this will be disappointing for Mr S to hear, I'm satisfied that Tesco acted in line with its obligations.

I understand that Mr S believes this service should hold the travel agent responsible for the fraudulent email he received which led to the payments being made. But my powers as an ombudsman only allow me to consider the actions or inactions of regulated financial businesses – so I'm unable to contact the travel agent or consider any aspects of the complaint against it.

I'm very sorry that about what happened to Mr S, and the money he lost as a result. But for the reasons I've set out I don't require Tesco Bank to reimburse Mr S what he unfortunately lost.

My final decision

I don't uphold Mr S's complaint against Tesco Personal Finance Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 7 February 2025.

Sam Wade
Ombudsman