

## The complaint

Mr G complains that Bank of Scotland plc trading as Halifax (Halifax) won't refund money he lost.

## What happened

### *What Mr G says:*

Mr G went onto an adult website and was speaking to a woman he thought was of legal age. She then told him she was actually underage. Mr G disconnected the call.

Later that evening he was contacted by someone who said they were from an agency monitoring the girl's actions. They said he must pay a fine, and if he didn't they would make his actions known publicly.

The caller asked for payment of money to stop this happening. Mr G cooperated and made the payment:

Date	Payment	Amount
30 October 2023	Faster payment	£650
<b>Total</b>		<b>£650</b>

The next day, he was called again and was asked for more money, but he declined to pay any more.

Mr G reported what happened to Halifax three days later - and asked for a refund. He said he doesn't have any messages etc, and the request for payment was done over the phone.

### *What Halifax said:*

Halifax said Mr G was blackmailed. He wasn't scammed into purchasing a service or product – so his claim couldn't be considered under the Contingent Reimbursement Model Code (CRM Code). Halifax didn't provide any refund, or attempt to recover the money. They said Mr G should contact the police.

### *Our investigation so far:*

Our investigator said this wasn't a scam, but Mr G was blackmailed. But in any case the value of the payment was low and Halifax couldn't be reasonably expected to have stopped the payment for that reason – it wasn't an unusual amount.

Halifax didn't try to get the money back, but as three days had passed, it was unlikely any

money would have remained in any case.

Mr G asked that an ombudsman look at his 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 Mr G has lost money. It's not in question that he authorised and consented to the payments in this case. So although Mr G didn't intend for the money to go to a blackmailer, he 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 Halifax 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 Halifax acted fairly and reasonably in its dealings with Mr G when he 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 is because it applies to scammed payments – where customers are tricked into making a payment for a service or product which never actually takes place. And the money isn't returned to them.

But what happened here was that Mr G was blackmailed – and the rules for refunds where scams take place don't apply here.

Setting that aside, the important matter for me to consider here is whether this was a payment that Halifax might reasonably have considered unusual, and whether they should've held or stopped the payment and contacted Mr G about it – and therefore, possibly been able to stop it going through. So, I've considered this point.

But: there's a balance to be made; Halifax has certain duties to act in their customers' best interests, but they can't be involved in every transaction as this would cause unnecessary

disruption to legitimate payments. And here - this was a single payment and for a relatively low amount. Therefore, in this case, I think Halifax acted reasonably in processing the payment – I don't think that I could reasonably say that Halifax should have stopped the payment for further checks.

I can also see that Mr G received a 'Confirmation of Payee' check. And when he made the payment, he received a general 'scam alert' from Halifax.

We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Halifax took the necessary steps in contacting the bank that received the funds – in an effort to recover the money. I can see they didn't do that. But in this case, as Mr G contacted Halifax three days after the payment was made, it's very unlikely that any funds would've remained had they done so – as normally in such cases, funds are removed from the recipient bank immediately.

I'm sorry Mr G has had to contact us in these circumstances, and that he's been the unfortunate victim of blackmail. But for the reasons I've given, I can't reasonably hold Halifax responsible for his loss.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 19 March 2024.

Martin Lord  
**Ombudsman**