

The complaint

D, a limited company, complains that Lloyds Bank PLC won't refund transactions it says it didn't make or otherwise authorise. Mr A, as director of D, is representing the company.

What happened

In December 2023, Mr A's phone was used to set up a new payee, and Mr A was sent an SMS notification about this. Two transfers – £5 and £2,700 – were made to the payee.

One evening in January 2024, money was moved between D's account and Mr A's personal account, then a further £3,000 was sent to the payee from D's account.

The following day, Mr A called Lloyds, saying he'd seen a notification about the previous day's activity. He said the payments to the payee were made without his or D's consent. He explained D's security details were not easy to guess, he hadn't told them to anyone, and the only record of them was kept in a notebook which was locked in his work van which only he had the key for, it wasn't missing, and he worked alone. His phone was always with him, it did not go missing, it was protected by his biometrics and a PIN only he knew, and no one else had access to it, not even his partner. He hadn't received any suspicious contact, clicked any suspect links, downloaded suspect software, or given out his details.

Lloyds held D liable for the payments in dispute, as they'd been made on genuine devices of Mr A's, using his correct security details and biometrics.

Our Investigator looked into things independently and didn't uphold the complaint. Mr A didn't agree, so the complaint's been passed to me to decide.

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.

Broadly speaking, Lloyds can hold D liable for the payments in dispute if the evidence suggests that they were authorised.

I'm satisfied from Lloyds's technical evidence that the payments in dispute were made on the genuine mobile app, using D's genuine security details and the registered biometrics. I've not found any signs of remote access or of the security being bypassed, and from what Mr A has told us there was not a likely opportunity for someone to learn the security details without his consent.

The disputed payments predominantly used two devices. Both had been registered to the account some time ago. Both devices were also used for genuine undisputed spending. One in particular was the phone which was registered at the very time Mr A confirmed he'd last registered his own phone, and it was the same phone Mr A had been using for his genuine activity. Mr A confirmed that this phone was with him at the time, it didn't go missing, it was protected by his biometrics and a PIN which only he knew, and no one else had access to it. And the logins made on that phone used the registered biometrics. The activity also used some IP addresses which linked back to prior genuine payments of D's.

As such, we can be reasonably satisfied that this was authorised by Mr A. I've found no likely or plausible way that someone else could've been using Mr A's biometrics on his phone, which was in his possession and only he had access to, as well as D's other device, with security details only he plausibly knew, all without his consent.

Back in December 2023, Mr A was sent a text which confirmed he'd set up the new payee, and which told him to call Lloyds if this wasn't him. The text was sent to the same number Mr A gave us, which had been registered to the account for years. Yet he didn't tell Lloyds anything was wrong. Similarly, following the payments in December 2023, Mr A checked the account and used it for genuine activity quite a number of times. But he didn't tell Lloyds anything was wrong until the spending was finished in January 2024. It's unlikely that Mr A would wait so long to report the disputed activity if it was done without consent.

This is a more minor point, but I might've expected a thief to try to take as much money as possible, as quickly as possible, before they're detected and the account is blocked. Yet the person using the account left a substantial balance available in December 2023, and no further payments were made to the disputed payee until the following month. That does not fit very well with the payments being unauthorised.

In January 2024, when he reported the matter, Mr A repeatedly said he noticed the disputed payments due to getting a text notification about the previous day's activity. But he hadn't been sent any notification about that activity. And he was unable to provide any copy of this notification. I'm afraid this does call his testimony into question.

Mr A suggested we should investigate the payee, and I understand his thinking. But we're not a police force and don't have the power to do that. I'm here to adjudicate the dispute between Mr A and Lloyds, not between Mr A and the payee. We did check in with the payee's bank to ask what we could. They confirmed that they had not received any other fraud reports about the payee and had no prior suspicions. This does not support the possibility that the payee was defrauding D.

In summary, the disputed payments were made using genuine devices, some IP addresses from genuine activity, the correct security details, and the registered biometrics. I've found no likely or plausible way the disputed payments could've been made without consent. I've not seen any evidence which makes it seem implausible or unlikely that Mr A could've authorised these payments or given someone else permission to make them. And the evidence supports the payments being authorised. So based on everything I've seen, I think it's fair for Lloyds to decline a refund in this case. I appreciate this is not the outcome Mr A was hoping for, but I'm unable to reasonably reach any other conclusion.

Lastly, I appreciate Mr A is unhappy that Lloyds closed the accounts involved. But in a similar way to how D can choose who it banks with, Lloyds can broadly choose who banks with them. In these circumstances, I don't think their decision to close the accounts was unreasonable, and they gave the appropriate notice under the terms.

My final decision

For the reasons I've explained, I don't uphold D's complaint about Lloyds Bank PLC.

This final decision marks the end of our service's consideration of the case.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 5 November 2024.

Adam Charles
Ombudsman