

## The complaint

Ms L complains that Citibank UK Limited won't refund money she lost as a result of a scam.

## What happened

On 23 May 2024 I issued my provisional decision on this complaint. I wanted to give both parties a chance to provide any more evidence and arguments before I issued my final decision. That provisional decision forms part of this final decision and is copied below.

### *What happened*

*On 26 March 2022, Ms L, a foreign national who'd moved to the U.K. in early 2022, received a text message claiming that there had been an unsuccessful attempt to deliver a parcel to her home and a fee was now payable. I understand that she input her card details, as well as some personal information, for another firm that she holds an account with – "R" – in order to pay the fee. Ms L says she was expecting a delivery at around this time.*

*On 28 March 2022, she received a call from someone claiming to represent R. They said that someone had attempted to use her account at R to purchase a mobile phone plan and her account at R had been compromised. The caller said that he'd create a new account for Ms L at R. He also said that her linked Citibank account was at risk.*

*Ms L then spoke to someone claiming to represent Citibank. All of the calls she received appeared to come from the actual phone numbers associated with R and Citibank.*

*Ms L was told that she'd need to move money from her existing accounts in order to keep it safe. She made three transfers from her Citibank account to R and from R to account details provided by the fraudsters. She also used her Citibank debit card to 'top-up' her account at R, before also paying that money to the same account.*

<i>Payment number</i>	<i>Amount</i>	<i>Date and time</i>	<i>Recipient</i>
<i>1</i>	<i>£6,500</i>	<i>28/03/2022, 9:16</i>	<i>Ms L's account at R</i>
<i>2</i>	<i>£30,000</i>	<i>28/03/2022, 9:20</i>	<i>Ms L's account at R</i>
<i>3</i>	<i>£30,000</i>	<i>28/03/2022, 9:42</i>	<i>Ms L's account at R</i>
<i>4</i>	<i>£2,000</i>	<i>28/03/2022, 11:08</i>	<i>Card payment to Ms L's account at R</i>
<i>5</i>	<i>£1,000</i>	<i>28/03/2022, 11:10</i>	<i>Card payment to Ms L's account at R</i>

*Ms L says the total amount lost to the fraud was £69,592.01. That figure is the total amount sent from R to the fraudster (which included some monies that were already in Ms L's account at R). The table above includes only the payments that Ms L made from her Citibank account as part of the scam.*

*Ms L says that she attempted to transfer more money, but when this failed, the fraudster 'scolded' her. The behaviour of the fraudster made her realise that she was being scammed.*

*Ms L referred the matter to Citibank but it didn't uphold her claim. It said that it had followed its correct procedures and contacted R – which said that it would deal with the problem.*

*Ms L says that she believed that it wouldn't be possible to make a payment unless the account name matched that given as the payee (this was the system in her home country, she said). She questioned why Citibank didn't question any of the payments (despite doing so in relation to a much smaller, unrelated, transaction) and how the fraudsters knew there was a link between her accounts at R and Citibank.*

*Ms L referred the matter to our service. She also complained about R. Our Investigator looked at both complaints. They decided that both R and Citibank were partially responsible for Ms L's loss. They thought that a fair outcome would be that R should refund payment 1, and Citibank should refund the remaining outstanding loss.*

*Citibank didn't agree. My impression is that it is confused by the outcome reached. It initially questioned whether a complaint had been brought against R and, if it had, what the outcome of that complaint was. It argued that R should be responsible for any losses, given that the transfer between Citibank and R was between Ms L's own accounts. It said that there was no basis for holding it responsible for the loss in these circumstances.*

*As no agreement could be reached the case was passed to me for a final decision.*

*What I've provisionally 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.*

*In deciding what's fair and reasonable, I am required to take into account: relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.*

*In broad terms, the starting position at law is that a bank such as Citibank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.*

*But, 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 Citibank should fairly and reasonably in March 2023:*

- have been monitoring accounts and any payments made or received to counter various risks, including 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 financial harm from fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;*
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment.*

*Should Citibank have identified that Ms L was at risk of financial harm from fraud?*

*It isn't in dispute that Ms L has fallen victim to a cruel scam here, nor that she authorised the disputed payments she made to her account at R.*

*Whilst I have set out in detail in this provisional decision the circumstances which led Ms L to make the payments using her Citibank account and the process by which that money ultimately fell into the hands of the fraudster, I am mindful that Citibank had much less information available to it upon which to discern whether any of the payments presented an increased risk that Ms L might be the victim of a scam.*

*Citibank puts significant weight on the fact that the payments in dispute went first to Ms L's own account. While the payments did go to an account in Ms L's name, there's no evidence that Citibank knew this at the time the payments were made.*

*The account at R had only been set up on 20 March 2022, the £6,500 payment was the first transfer to be made to the account and Citibank did not operate the 'Confirmation of Payee' system at the time the payments were made (which might have allowed it to confirm that the payments were going to an account held in Ms L's name). I can see that a small number of card payments were made to Ms L's account at R prior to the £6,500 payment but I do not believe that Citibank would have known that the destination of the card payments was an account in Ms L's name or that the destination of the card payments and subsequent transfers was the same.*

*So, while Citibank may believe that the fact the account was held in Ms L's name is relevant to determining its overall responsibility for the loss, the evidence doesn't suggest it could have taken this factor into account when, fairly and reasonably, deciding whether Ms L was at risk of financial harm from fraud as a result of the payments.*

*That means I think Citibank should have treated the payments as if they were any other transfers to third-party accounts.*

*I've reviewed Ms L's account history in the six months prior to the scam and I agree she'd made a reasonable number of payments of a similar amount to payment 1. I agree that the £6,500 payment, in isolation, wouldn't have presented as carrying a higher-than-normal risk of fraud. This payment has also been refunded by R, so Ms L has suffered no loss from it.*

*But the same is not true for the second payment. It was much larger than any payments which had debited her account in the previous six months and was being made to a recently created payee, just four minutes after the £6,500 payment. I think Citibank should have recognised that Ms L could be at risk of financial harm from fraud when she attempted this payment. I think it should, fairly and reasonably, have taken further steps before it allowed the payment to debit Ms L's account.*

*Citibank didn't provide any warnings to Ms L. I think that a proportionate response to the risk the payment presented would have been for it to contact Ms L to attempt to establish the circumstances surrounding the payment. I've thought carefully about what I think is likely to have happened had it done that. In doing so, I've taken into account the warnings that R provided.*

*R says it gave a number of warnings. It displayed the following message to her:*

*"Do you know and trust this payee? If you're unsure, don't pay them, as we may not be able to help you get your money back. Remember, fraudsters can impersonate others, and we will never ask you to make a payment."*

*R also asked Ms L what the payment was for from a limited list of payment reasons. She selected 'something else', when 'transfer to a safe account' might have been the more appropriate option. The warning she would have seen explained that phone numbers can be made to appear like genuine phone numbers, that R (or any other bank) would never contact her and ask her to move her money, it would never tell her to ignore warnings and wouldn't contact her without first verifying themselves in its application.*

*She was then given the opportunity to discuss the matter further with R, cancel the payment or approve it. R says that she decided to approve the payment.*

*Ms L says she doesn't remember seeing the warnings, so I don't know why she might have picked 'something else' as the payment reason or what she made of the written warning that would have been presented. The warnings were clearly relevant to Ms L's circumstances, but I recognise that Ms L's first language isn't English, the warnings didn't require any significant engagement and she was on the phone to the fraudsters during this time, all of which I think would have made it more difficult for written warnings to be impactful.*

*And, Ms L says that she wasn't told what to say in the event of either Citibank or R contacting her. Citibank didn't question the payments and, as I've set out, R only provided written warnings which required a limited degree of interaction – so there's no significant evidence to suggest that Ms L would have misled Citibank during a phone call. Overall, I don't find there to be compelling evidence that a conversation between Ms L and Citibank would not have revealed the true purpose of the payments.*

*Had that conversation taken place, I think it is more likely than not, that Citibank would have been able to establish that Ms L had received unexpected requests to move money from someone claiming to represent financial institutions she was a customer of. I think it would have been a fairly straightforward task for it to have provided a strong and clear warning to Ms L that she was falling victim to a scam and, had it done that, I think Ms L would have stopped and the loss from and including the first £30,000 payment would have been prevented.*

*I've also considered whether Ms L should bear any responsibility for her loss. In doing so, I've taken into account what the law says about contributory negligence, as well as what's fair and reasonable in the circumstances of this complaint. Having done so, I don't think that it is fair for Ms L to bear any responsibility for what happened. I note that she had recently moved to this country and might reasonably be expected to be less familiar than the average person with how banks in the U.K. operate.*

*I also can see that the scam she fell victim to had a high degree of sophistication – the fraudsters used the fact she'd responded to an earlier text message to convince her that her accounts were at risk. Ms L had recognised the fraud risk associated with that text message, as she reported that she'd responded to it to R. R did not, however, warn her that she might be contacted again by the fraudsters. The fraudsters used 'spoofed' numbers to further convince Ms L that she was speaking to the genuine Citibank. And, while some of the steps she was asked to take might seem convoluted or unnecessary in hindsight, I don't think it was unreasonable for her not to have recognised this at the point the payments were made. So, I don't think that Ms L should bear any responsibility for her loss.*

*I can see that Citibank attempted to recover Ms L's money from R. R managed to recover £5.01 from the recipient account. That sum was returned to Ms L's account at R on 29 March 2022.*

*Citibank argues that R, rather than it, should be responsible for Ms L's loss. Citibank's position was that R said that it would deal with the claim and it could close its own case. I*

*think Citibank has misunderstood R's response – I read it only to be referring to the recovery case (i.e. it didn't need to take any further steps in relation to recovery, rather than that R would reimburse its customer).*

*In reaching my decision about what is fair and reasonable, I have taken into account that Ms L paid money using her Citibank account to another account in her own name, rather than directly to the fraudster, so she remained in control of her money after she made the payments, and there were further steps before the money was lost to the scammer.*

*However, for the reasons I have set out above, I am satisfied that it would be fair to hold Citibank responsible for Ms L's losses from payment 2.*

*I have also taken into account the payments were made to a regulated business, and that Ms L also made a complaint about that firm. That complaint has been settled between R and Ms L (prior to my involvement) and I am left to consider the complaint here.*

*I'm satisfied Citibank should fairly and reasonably have made further enquiries before processing payment 2. If it had, it is more likely than not that the scam would have been exposed and Ms L would not have lost any more money. In those circumstances I am satisfied it is fair to hold Citibank responsible for some of Ms L's loss.*

*My provisional decision*

*I'm provisionally minded to uphold in part this complaint about Citibank UK Limited and require it to pay Ms L:*

- *The outstanding loss from payments 2-5 - £62,994.99*
- *8% simple interest per year on that amount from the date of the payments to the date of settlement*

Ms L said that she agreed with my provisional decision and reiterated that Citibank had blocked a far smaller transaction prior to the scam.

Citibank didn't agree. In summary it argued:

- It was unclear why R had only refunded the £6,500 and not the other payments. In similar cases decided by the Financial Ombudsman, responsibility for any loss has been shared equally between it and another firm.
- It had sent Ms L correspondence that contained warnings about scams on three separate occasions in the year prior to the scam.
- It had no concerns about Ms L's level of English.
- R failed to protect Ms L, despite her informing it that she'd responded to a phishing text message prior to receiving a call from the fraudster.
- Had it asked why Ms L was moving money, it would have been satisfied that she was moving money to her own account. R, on the other hand, would have been able to immediately uncover that a scam was taking place.
- It asked me to reconsider whether Ms L should bear any responsibility for her loss. It did not agree with the apparent assumption that Ms L would know less than the average U.K. citizen about how U.K. banks operate.
- By her own admission, Ms L could see that the name on the recipient account was different to her own, but decided to proceed with the payments anyway.

## **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.

Having considered the submissions of both parties carefully, I'm not persuaded to reach a different outcome to that reached in my provisional decision. I'll explain why.

While I don't dispute that Citibank sent a number of warnings to Ms L months before the scam took place, I don't consider those warnings to be either proportionate to the risk the payments presented or to have any bearing on whether Ms L is likely to have proceeded had Ms L received more timely warnings from Citibank. I've already set out what I think would have been a proportionate intervention here and an important element of any such warning is that it is timely – taking place during the payment journey. I've also already discussed the warnings provided by R (which were timely) and explained why I'm still upholding this complaint. So, for the reasons I've set out, I can put little weight on the warnings provided months before the scam took place.

Turning to the role of R. As I've set out, the complaint involving R has been settled prior to my involvement. As I'm not deciding a complaint about R, I have no power to make an award against it. I must consider the complaint that has been referred to me. And, for the reasons I've explained, I think Citibank could and should have prevented Ms L's loss from the second payment. In those circumstances, I consider it to be fair for Citibank to reimburse her.

I don't accept that it would be significantly more difficult for Citibank to unearth the scam had it contacted Ms L – I'd expect it to have made enquiries as to the purpose of her moving funds, not simply the destination.

I've little to add to what's been said about Ms L's responsibility for what happened. I don't think it's an unreasonable assumption that Ms L had a lower level of knowledge about how U.K. banks operate. But, in any case, anyone can fall victim to this type of scam, regardless of their level of knowledge and I don't think Ms L's actions here mean that she should bear any responsibility for the loss.

Finally, in relation to the account name, I think Citibank have misunderstood Ms L's comments. My understanding of Ms L's comment and R's systems is that she would have only been aware that the account she paid was not held in her name after making the payment and once she'd reviewed her statement.

## **My final decision**

I uphold in part this complaint about Citibank UK Limited and require it to pay Ms L:

- The outstanding loss from payments 2-5 - £62,994.99
- 8% simple interest per year on that amount from the date of the payments to the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 10 October 2024.

Rich Drury  
**Ombudsman**