

The complaint

L complains that Handelsbanken plc won't refund money they lost to an interception scam.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

L wanted to send €42,000 funds to a country – which I'll refer to as 'T' - as part of an agreed purchase with a firm I'll refer to as 'E'. Handelsbanken has payment restrictions in place for certain countries, including T. Because of this, L arranged with E to send the funds to an account held in a different country (which I'll refer to as 'G'). L then received what they believed was a genuine email from E providing their details for an account held in G. We now know this email had been spoofed.

L went on to make the following payments:

Date	Transaction type	Amount
25 August 2023	International transfer	€15,000
25 August 2023	International transfer	€15,000
25 August 2023	International transfer	€12,000
	Total	€42,000

The scam came to light when L was contacted by E claiming non-receipt of funds.

L notified Handelsbanken of the scam and raised a complaint. They were unhappy with Handelsbanken's role in what happened, both at the time the payments were made and during their fraud investigation. They requested a return of their funds.

Handelsbanken didn't uphold the complaint. In short, they said:

- At times, their systems flag payments for further review – which involves contacting their customers to check they've verified the beneficiary details verbally. If they haven't, they recommend this is done before they release the funds. And they wouldn't recommend accepting payment details by email, as although they might appear to have come from an authentic source, they might not be genuine.
- Here, they asked L at the time of making the payments whether they'd verbally verified the beneficiary details with the beneficiary – which L confirmed they had. And so, they acted in accordance with a clear instruction(s) given to them from L.
- They couldn't comment on the account opening procedures of other financial institutions. And non-UK payments don't operate a system whereby the account

name is used as an additional verification check.

- The evidence suggests either L's or E's email accounts had been hacked given that someone intercepted private information between both companies. Therefore, regardless of whether L could send money to T or not, L could've received a request on email to divert money elsewhere.
- They operate a list of restricted countries, as set out in their Business Banking Terms and Conditions, which entitles them to refuse to act on a payment instruction. T is considered a restricted country. And while on occasions they may consider exceptions, this process can take a considerable amount of time and requires significant background due diligence, with no guarantee it would be approved.
- Fraud investigations can be complex, particularly when overseas organisations are involved. They did however contact the G bank as a matter of urgency once the suspected fraud was identified. There isn't any obligation on the G bank to respond and so they are entirely reliant on them. Should any funds be recoverable, they would return them asap.
- It is their decision which countries they will transact with, and different banks have different policies.

L corresponded with Handelsbanken further about the matter, raising various concerns, but the bank's position remained the same. And so, L referred their complaint to the Financial Ombudsman. Our Investigator considered it, but he didn't think Handelsbanken had to do anything further. In short, he said:

- Handelsbanken isn't a signatory of the Contingent Reimbursement Model (CRM) code. And so, while they've said they assess claims in line with it, this doesn't entitle L to an automatic refund of their losses. In this case, the payments wouldn't be covered under the CRM code in any event as international payments are excluded.
- Handelsbanken confirmed with L prior to processing the payments that the beneficiary account details had been confirmed verbally. But even if Handelsbanken had asked further questions, it's unlikely this would've made a difference in preventing the scam. This is because L were expecting the invoice from E whom they had an existing relationship with.
- Handelsbanken can decide which countries they're willing to transact with. So, he didn't think Handelsbanken were required to make an exception. Nor could he reasonably conclude that Handelsbanken could've foreseen the loss L would suffer as a result.
- He was satisfied Handelsbanken did what they could to recover the funds but unfortunately, the beneficiary bank didn't respond to them.

L didn't agree with our Investigator and requested their complaint be referred to an Ombudsman. In short, they added that while they accept Handelsbanken isn't a signatory to the CRM code, they would be obliged to pay the loss if they were. And given the Financial Ombudsman is set up to resolve complaints on a fair and reasonable basis, then surely the CRM code is the standard expected of banks regardless of whether they are signatories or not. Further, when considering the key parts of the CRM code, it is clear that Handelsbanken didn't do enough. So, Handelsbanken should've done much more before processing the payments.

The matter has 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.

I'm sorry L has been the victim of a scam and I'm sympathetic to the loss they've suffered. But I must consider whether Handelsbanken is responsible for the loss. I know this won't be the outcome L is hoping for but, for similar reasons to our Investigator, I don't think they are. I therefore don't think Handelsbanken has acted unfairly by not refunding the payments. I'll explain why.

At which point, I'd like to acknowledge that L has provided substantive submissions in respect of their complaint. But if there's a submission or point that I've not addressed, it isn't because I've ignored it. Instead, it's simply because I've focussed on what I consider to be the central issues in this complaint – that being whether Handelsbanken is responsible for the loss L suffered because of falling victim to a scam.

I've thought about the CRM code which can offer a potential means of obtaining a refund following scams like this one. And I'm aware that L feels that, even though Handelsbanken isn't a signatory of the CRM code, they should be held to the same level of standards regardless – thereby resulting in them being refunded.

While I understand L's views on this, the CRM code was a voluntary code that provided protection to customers in addition to those provided under other existing obligations, laws or good industry practice. But given the voluntary nature of the code, this means it is only applicable to those firms signed up to it. In this case, Handelsbanken wasn't a signatory of the code and so it wouldn't be fair or reasonable to hold them against it. But in any event, even if Handelsbanken was a signatory of the CRM code, these payments wouldn't be covered under it. This is because it excludes international payments. It follows that these payments aren't refundable under the CRM code. I have however considered whether Handelsbanken should reimburse L under any of their other obligations.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that L knowingly made the payments from their account – albeit under the misdirection of the scammer – and so, I'm satisfied they were authorised. Therefore, under the Payment Services Regulations 2017 and the terms of their account, Handelsbanken are expected to process L's payments, and L is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Handelsbanken to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

Here, Handelsbanken did speak with L before processing the payments and so, they had an opportunity to identify whether there was a risk of financial harm from fraud. I've therefore considered whether Handelsbanken did enough before processing the payments and, if they didn't, whether it would've made a difference if they had.

Before processing the payments Handelsbanken asked L to confirm whether they'd verbally confirmed the account details with the beneficiary rather than just take the details from an email. L confirmed they had. And later in the conversation, Handelsbanken explained the reason for asking the security questions is because people have their emails hacked quite often, which can lead to the details being changed and the payments being diverted elsewhere. For this reason, Handelsbanken said they advise to give the beneficiary a call to check the details. L acknowledged this.

From this conversation, I think Handelsbanken took reasonable and proportionate steps to protect L from the risk of an interception scam. They explained to L both the risk of not verbally verifying the account details and confirmed they had done so. While I appreciate L

might not have had reason to suspect the email wasn't genuine, I can't fairly hold Handelsbanken responsible for that. And I think it was reasonable for Handelsbanken to accept what L told them in good faith – that being they had verified the account details verbally.

Handelsbanken could, arguably, have asked further questions about the nature of the payments - to, for example, see if there was a risk of L falling victim to a purchase scam. But even if they had, I don't think this would've made a difference. The types of payments L were making weren't unusual – as they make international payments regularly – and they had received an invoice (which they believed was genuine and were expecting) from what they considered a trusted firm that they held an existing relationship with. So, I don't think this would've given Handelsbanken (or L) sufficient reason to suspect L was at risk of financial harm from fraud.

It follows that I don't think Handelsbanken is responsible for L's loss. Unfortunately, there are situations whereby a person will lose out, through no fault of their own, but have no recourse to a refund (as the bank likewise aren't at fault).

I've considered whether, on being alerted to the scam, Handelsbanken could reasonably have done anything more to recover L's losses, but I don't think they could. Unfortunately, as Handelsbanken has explained, they were reliant on the cooperation of the beneficiary bank based in G. Handelsbanken has shown they contacted the beneficiary bank about the payments, but their recovery attempts were sadly unsuccessful.

On a final note, I'm aware that L is unhappy about the restrictions Handelsbanken has in place in relation to certain countries. And that they feel, had it not been for this restriction with T, their loss wouldn't have occurred.

Although I understand L's frustrations in this respect, Handelsbanken is entitled to commercially decide which countries they wish to transact with. And the Business Banking Terms and Conditions under 4.10 sets this out. I'm therefore satisfied Handelsbanken has acted in accordance with the terms of L's account. So, I can't reasonably conclude that Handelsbanken acted wrongly by refusing to allow a payment to T at the time. Nor can I reasonably conclude that Handelsbanken could've foreseen the loss L would suffer as a result – particularly given, in this instance, they obtained L's confirmation that they had verbally verified the account details with the beneficiary.

I have a great deal of sympathy for L and the loss they've suffered, as I appreciate it is a significant sum of money. But it would only be fair for me to direct Handelsbanken to refund their loss if I thought Handelsbanken were responsible – and I'm not persuaded that this was the case. For the above reasons, I think Handelsbanken has acted fairly and so I'm not going to tell them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 4 April 2025.

Daniel O'Dell
Ombudsman