

The complaint

C, a limited company, complains that Northern Bank Ltd (trading as Danske Bank) have been unreasonable in declining to refund funds they lost to a scam.

What happened

In June 2023 C received a letter saying that a court judgement had been made against them. Later that day they received a call from someone claiming to be the court case handler, who told them they could settle the judgement for half the amount. A director of C set up the payment of £53,353.50 through their Danske Bank account.

Danske Bank thought the payment looked unusual, so placed it on hold. The relationship manager contacted the director and thought it was suspicious and said they would refer it to the fraud team. The fraud team attempted to speak to the director and sent him requests to get in touch. But when the director called, he didn't speak to the fraud team, and the payment was released.

It was later found that the caller wasn't really from the court, and the funds had been sent to a fraudster. C informed Danske Bank, who were able to recover £27.55.

C complained to Danske Bank, saying that the bank had failed to protect them from the fraud, and had not provided any support beyond contacting the receiving bank. Danske Bank responded to say that the director was aware of the relationship manager's suspicions, and the director would have satisfied himself the payment was genuine when he called to have it released.

Dissatisfied with this answer C referred their complaint to our service. One of our investigators looked into what happened, and he thought the complaint should succeed. He reasoned that had Danske Bank's fraud team discussed the payment in more detail with the director, it's likely the scam would have come to light and the losses prevented. He suggested that Danske Bank reimburse the remaining losses, along with 8% simple interest per annum, from the date of payment to the date of settlement.

This was accepted by C, but Danske Bank didn't agree. As no agreement could be reached the complaint 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.

There isn't any dispute that the payment from C's account was set up and authorised by a director of C, albeit under false pretences. Under the relevant regulations – the Payment Services Regulations 2017 (PSRs) – the payment service provider is expected to process correctly authorised payment instructions promptly. If the payment has been authorised correctly, then the regulations don't place any obligation on the payment service provider to

refund any losses. So, the starting position under the PSRs is that there's no specific obligation on Danske Bank to refund C.

But I have gone on to consider what's fair and reasonable in all the circumstances of this complaint – and whether it would be reasonable for Danske Bank to refund C any of their losses.

Danske Bank's terms do modify this obligation though to say that they reserve the right to *"suspend or delay a payment either into or out of Your Account where We, acting reasonably, decide to carry out further checks. This could happen, for example, where We suspect fraud"*.

This is in line with the wider legal and regulatory obligations placed on Danske Bank to monitor accounts and payment activity for signs of financial harm – such as money laundering or fraud. I'm satisfied that good industry practice at the time would involve taking proactive measures to identify potentially fraudulent transactions. And I'm also minded that if a transaction was identified as particularly high risk, Danske Bank ought to then have carried out additional checks before processing the payment – as their terms state. And in practice I'm aware that Danske Bank do carry out these sorts of checks.

In this case when the relationship manager spoke to the director, they were concerned enough about the transaction to suggest it be reported to the fraud team. And it's accepted that Danske Bank's fraud team were holding the payment until the director called.

Danske Bank have now said that the only "unusual" feature of the payment was that it was the first time the customer had made payment to those bank details. But I see that concerns of this nature would reasonably prompt Danske Bank to ask further questions about the nature of the payment – who it was for and why it was being paid. This would have been a proportionate intervention. But from the call transcript provided, I can't see that there were any questions of this nature.

I've no doubt that the director would have explained what he believed the payment to be for – the paying of a court judgement they'd received that morning. Had this been explained it would have been reasonable for Danske Bank to notice that being called to ask to pay a judgement, within a significant discount if paid that day, was highly unusual – as the relationship manager had already identified.

I also note that the director called back shortly after the payment had been released to say he thought he'd been scammed – which suggests to me that a proportionate intervention by Danske Bank would have led to this realisation earlier and prevented any losses to C. I see it's reasonable therefore that Danske Bank reimburse C for the preventable losses.

I've considered Danske Bank's points that the director didn't carry out any due diligence themselves. But I'm not persuaded that this is the case. First the scam seemed to occur with the caller having specific knowledge of the court judgement against C, such as the amounts, the plaintiffs and the court dealing with it. The letter was genuine; the caller was not.

C have also commented that the letter was the first time they became aware a judgement had been given. They called the issuing court, and the details in the letter were correct. And the caller had knowledge of these details. So, it appears C did take steps to verify the information they were told as far as they could. It might have been more prudent for the director to wait for the relationship manager at Danske Bank to get back to them – but it also appears the scammer created an artificial time pressure to make payment.

Overall, I'm not persuaded that the actions of the director fell so significantly below that of a

reasonable person that there should be any deduction in award for contributory negligence.

Putting things right

For the reasons above, I'm satisfied that it's reasonable for Danske Bank to reimburse C for the preventable losses. As £27.35 has been recovered, I see that it's reasonable they refund the remaining £56,326.15. Danske should also add 8% simple interest per annum to this amount, from the date of payment to the date of settlement – to reflect C's loss of use of these funds during this period.

If Danske Bank considers that HMRC requires them to deduct tax from the interest award, they should let C know how much has been taken. They should also provide a certificate showing this, should C ask for one.

My final decision

My final decision is that I uphold this complaint, and direct Northern Bank Ltd to settle it as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 29 April 2025.

Thom Bennett
Ombudsman