

The complaint

D, a sole trader, has complained Metro Bank PLC did nothing to identify and stop a fraudulent payment being made to one of their customer's accounts.

What happened

D operates as a small business and holds an account with a bank that I'll refer to as L. They have a relationship with an accountancy company (who I'll call U) through whom they arrange their monthly payroll payments. This involved regular monthly emails confirming who and how much to be paid.

In July 2023 those emails were managed as normal. However, D received an email on 19 July confirming U had changed their company bank details. This had been the subject of previous discussion as U was setting up separate client accounts and D could see that the new account remained at U's existing bank. D set up a new payee through their account with L and paid £21,941.51 to U's new account at Metro.

A compromise of D's email service was discovered on 24 July as U were wondering why the payroll payment had not been made. All banks involved, both L and Metro, were immediately notified.

D lodged complaints against L and Metro. L said they wouldn't refund D as this payment did not match those that fitted the Contingent Reimbursement Model code. After formal consideration, Metro offered to reimburse half of what D had lost along with 8% simple interest.

D didn't want to accept this and asked the ombudsman service to pursue their complaint.

Our investigator reviewed the evidence Metro provided about their customer who had received D's money fraudulently. He felt Metro had missed opportunities to identify this payment as potentially fraudulent and asked them to refund D in full.

Metro didn't agree with this as they felt that they shouldn't be responsible for the information L provided to D prior to the payment being made. This complaint has been referred to an ombudsman.

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 done so I've reached the same outcome as our investigator. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

To help me come to a decision, I've reviewed the evidence provided by D explaining the process whereby they came to set up a new payee and send their monthly payroll money to a new account. I've also had the benefit of Metro's evidence showing how their customer set up their account and what they knew about that customer's account behaviour.

I have noted the detailed view completed by our investigator on 17 July 2024 but won't be repeating some of what was contained there, as I'm aware both parties know about the steps around what happened.

I believe Metro should have been able to identify and stop the payment received by their customer on 20 July 2023 for £21,941.51. I say this because:

- This customer had never received funds into their account from other sources throughout the previous 15 months of their account. Any of the bigger payments into that account came as cash deposits. But these were never for more than £500.
- The balance of the account never exceeded £970 and spent most of the preceding 15 months hovering around the £10 mark with limited transactions overall.
- This means that a payment of more than £20,000 should have triggered Metro to speak to their customer immediately. And if they had done so, I can't imagine that individual would have been able to persuade them he should have access to a company's payroll.
- Immediately after receipt, Metro's customer made rapid payments out of his account, which again should have triggered action by Metro to see whether their own customer was the victim of fraud.
- Two months before this payment, another bank lodged a fraud-related marker against Metro's customer with the industry fraud database. Most banks aren't checking this in real-time but I do believe Metro missed a further opportunity to stop this fraud before it took place.
- Metro has suggested D made the error and should bear some of the responsibility. I believe the outline detailing what happened shows that this is not the case and I don't believe D contributed to what happened based on the evidence.

Putting things right

Based on what I've stated above, Metro will need to repay the money D lost in full, along with 8% simple interest from the date of the payment to the date of settlement.

My final decision

For the reasons given, my final decision is to instruct Metro Bank PLC to:

- Refund £21,941.51 to D; and
- Add 8% simple interest from 20 July 2023 to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or

reject my decision before 22 August 2025.

Sandra Quinn
Ombudsman