

The complaint

Miss C complains Lloyds Bank PLC won't refund transactions made from her account she says she didn't make or authorise.

Miss C is represented, but as it's her complaint I'll refer mostly to her.

What happened

On 30 and 31 May 2024, several online transactions were made on Miss C's account which she reported to Lloyds as having been made without her permission.

Lloyds looked into the transactions. It said it wouldn't refund them because there was no compromise of Miss C's online banking details. Following a complaint, Lloyds still refused to refund the transactions. So, Miss C referred her complaint to our service.

An Investigator considered the circumstances. She said, in summary, the evidence showed the transactions had all been made using Miss C's online banking but they had been made using a new device that had been recently added to the account. She concluded the evidence suggested that Miss C hadn't made the transactions herself. But she said the new device could only have been used following an automated call to Miss C's telephone number, which would have then been needed to be entered into the new device. Miss C says no one else could have accessed her phone to have intercepted this call and she hasn't given anyone else her online banking security details. So, our Investigator concluded the payments must have been authorised, since there was no plausible explanation for how they could have been made without Miss C's involvement.

Miss C didn't accept the Investigator's findings. She said just because there wasn't an explanation for how the fraud could have happened, that didn't mean she should be liable for the transactions.

As Miss C didn't agree, 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.

I think it's important to explain I've considered all of the information provided by both parties in reaching my decision. If I've not reflected or answered something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is.

Under the Payment Services Regulations 2017 ("PSRs"), generally, Lloyds can hold Miss C responsible for transactions she made or authorised.

Lloyds has provided evidence to show a new device was registered for internet banking in relation to Miss C's account on 4 May 2024. To do this, Miss C's username and password would have been required. Lloyds' records then show an automated call was placed to Miss C's registered telephone number – the same number she's given our service - containing a four-digit code, which was entered to confirm the registration of the new device. The disputed transactions were then made from the new device on 30 and 31 May 2024, using Miss C's online banking. On 4 May 2024, Miss C's account balance was approximately £12,000. It's not clear to me why an unauthorised party who had successfully gained access to Miss C's online banking on that day, for the purpose of stealing money from her, would then wait until 30 May 2024 to begin making transactions.

Although it's clear a second device was in use and the disputed transactions were made from this device, this doesn't mean Miss C can't be held liable for them.

Miss C hasn't given any explanation as to how someone else could have had access to her username, password or intercepted the four-digit code that was sent to her via an automated phone call. I've not seen anything to suggest there was malware on Miss C's phone nor that she's been the victim of "sim swap". Miss C says she received an unusual phone call about a payment received into her account on 30 May 2024. But, she said she didn't disclose any security information to the caller and, even if she did, it's clear from the evidence that a third party already had this information having successfully set up the new device on 4 May 2024 – so while unusual, I don't think this call makes a difference to the overall outcome of the complaint. So, it's unclear how the code could have ended up in the possession of an unauthorised party. But I'm satisfied that the technical evidence demonstrates the code sent to Miss C's phone was then used to set up internet banking on the device later used to make the disputed transactions.

Miss C says her phone is secured by passcode and biometrics and has not been out of her possession. She says she does not recall receiving the automated call from Lloyds, but I'm satisfied the call took place to Miss C's registered telephone number. And I'm satisfied the evidence shows the four-digit code from this call was used to add the new device. So, I find Miss C must have disclosed the four-digit code in some way – though I know she won't agree. I say this because unless she did so, the transactions couldn't have taken place. Its possible Miss C did so inadvertently and/or perhaps as part of a scam. But because Miss C is adamant that she didn't receive the automated call from Lloyds and didn't disclose any security details, I don't have any evidence about the circumstances of that disclosure. So, I can't fairly conclude the transactions were made without Miss C's involvement in the circumstances she's described.

Generally, financial businesses should follow their customers' instructions in relation to legitimate payments and, as I've already explained, I've found the payments were – on balance – made with Miss C's involvement. However, there are some situations in which a bank should reasonably have looked more at their customers' payments before allowing them to proceed. So, I've also considered whether Lloyds should have intervened in any of these payments.

I find the payment of £4,211.68 was a large payment and unusual given Miss C's normal account activity and I agree that the pattern of transactions being made in quick succession from a new device should perhaps have prompted Lloyds to have intervened in at least some of them. However, like our Investigator, I don't think this would necessarily have made a difference to the position Miss C's now in. I say this because, since I've found Miss C was more likely than not involved in the transactions in some way, she may well have told Lloyds the transactions were genuine if questioned at the time or, given the third-party access to Miss C's online banking, if online approval was required, this could have been done via the second device.

Finally, our Investigator referred to a card being ordered by the second device. But Lloyds have since clarified the second device did not order any cards. And Miss C has verified the transactions made using the card in question were genuine. So, I don't think this makes a difference to the overall outcome of her complaint.

Overall, while I accept that something must have happened for these transactions to have taken place, I've seen no persuasive evidence to demonstrate how that could have been done without Miss C having been involved in some way. So, I find Lloyds is entitled to treat the disputed transactions as authorised by Miss C and hold her liable for them.

My final decision

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 30 December 2025.

Eleanor Rippengale
Ombudsman