

The complaint

A company which I'll call 'N' complains that Barclays Bank UK Plc won't reimburse the money it lost as a result of fraudulent transactions from its account.

The complaint is brought on N's behalf by its director, Mr R.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, N holds an account with Barclays with various signatories of the company having authority on the account. In June 2023, Mr R was contacted by a member of staff about an incorrect salary payment. Mr R reviewed N's account activity and identified that one of N's members of staff, Mr H, had been making payments to himself from N's account using both online banking and the Barclays.net platform.

Mr R saw that Mr H had been making payments using the correct payee names for the members of staff and N's suppliers but had changed the account details to his personal account information - instead of the genuine recipient. Mr R contacted the police and Mr H was removed as a signatory and terminated from his employment.

Mr R asked Barclays to provide a copy of N's bank statements which would show the beneficiary account details, as well as the payee's name. However, Barclays repeatedly declined Mr R's request. The bank said that it needed to know which specific payments Mr R was disputing so it could provide the relevant information. Mr R explained to the bank why it wasn't possible to provide this information and eventually complained to the bank as it was preventing him being able to identify the fraudulently made payments.

It was then identified that since October 2021, excluding his expected salary payments, Mr H had sent himself 167 payments totalling £42,479.99 from N's account, with a further 4 from an associated company. 101 payments totalling £16,563.11 had been made using online banking and 66 payments totalling £25,916.68 using the Barclays.net system. Mr R said that Barclays had failed in its duty of care to N, as the bank should have identified the transactions to Mr H were suspicious before he'd contacted it.

Barclays didn't uphold N's complaint. The bank said there was no evidence of fraud on N's account as all the payments had been made by an authorised user. N didn't agree and asked our service to look into its complaint.

Our investigator didn't recommend Barclays refund the transactions from N's account resulting from the misappropriation of funds by Mr H. She said the disputed transactions had been made by an authorised user of N's account, and the bank was expected to process transactions that a customer had authorised it to make. She said the payments from N's account had been made using Mr R's user information, and she was satisfied from the evidence that Mr R had allowed Mr H to make the payments using this information. So, she thought it was fair for Barclays to consider these payments as authorised.

The investigator also thought that even if these payments shouldn't be considered as authorised, it was reasonable for Barclays to decline to refund N on the basis its payment information hadn't been kept secure. She also didn't think the payments were out of character for the account, or that there was anything that ought to have alerted Barclays to the fact these payments hadn't been made as expected. However, she did think Barclays had behaved unfairly by not providing N's account statements sooner as this had caused the company inconvenience. So, she thought Barclays should pay £500 compensation for this. But she noted this delay didn't impact the loss to N, as the funds had already been withdrawn from Mr H's account by the time the misappropriation of funds had come to light.

Barclays agreed with our investigator's opinion, but N didn't agree and asked for an ombudsman to review its complaint. It said that the delay in Barclays providing the requested information had delayed the Police taking action against Mr H, and N's claim against him. It also didn't think it was reasonable that Mr R hadn't been notified by the bank of any occasions where the payee names didn't match, and it wanted to know how Barclays could prevent this occurrence in the future.

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, there's not much more that I can add to what our investigator has already said. I don't think that Barclays needs to refund the payments made from N's account as a result of the misappropriation of funds by Mr H. However, I do think that Barclays behaved unreasonably when it wouldn't provide Mr R with N's account statements when requested so that he could pursue N's losses directly. So, I think Barclays should pay N £500 for the inconvenience caused.

I know Mr R will be disappointed with my decision, but I'll explain how I've reached this. Firstly, I would like to thank Mr B for explaining the impact that has had on him and N. Mr R has provided lots of information and I've taken everything into account, if I don't directly reference something in my decision it is not because I haven't considered it. But I've focused on what I consider to be the crux of the complaint.

I also want to acknowledge that I can understand why Mr R feels our service should have waited until Mr H was charged by the police before deciding the outcome of N's complaint. But our service can only consider H's dispute with Barclays, not the actions of Mr H, or what actions should be taken regarding him. I can only look at whether Barclays has treated N fairly and reasonably in line with the manner expected of it - I can't fairly hold Barclays responsible for the actions of Mr H in committing the fraud.

Were the payments authorised?

I've gone on to consider whether Barclays has behaved fairly in not refunding N's fraud claim. Barclays says that it hasn't done anything wrong in declining N's fraud claim as the disputed payments were authorised by N. I think that's a fair assessment.

The relevant terms of N's account with Barclays say:

"To make a payment or withdrawal from your account, you need to give us authorisation. [...] We'll think an instruction has come from you (or a properly authorised third party) if we reasonably believe that the person who signed a written instruction or gave an instruction in person was you (or an authorised third party), or if your payment tools were used."

*“You use payment tools to access your accounts and make payments. All these tools are personal to you. Once you receive a payment tool, it’s your responsibility to keep it safe. [...] **You must not give your payment tools to anyone else.** (Bank’s emphasis) If someone takes money from your account because you have not kept your payment tools safe or secret when you should have done, you may lose all the money.”*

The bank goes on to say that payment tools can include card’s, PIN’s, and passwords and that for larger corporate customers, it is agreed that regulations 91,92 and 94 of the Payment Services Regulations 2017 don’t apply. Instead, the bank will only be liable if a loss has arisen due to negligence from the bank.

Firstly, I’m satisfied that Barclays can reply on the term for larger corporate customers as N doesn’t meet the criteria for a charity or Micro-enterprise. So, I’ve then gone on to think about what actions were taken by N in relation to these payments. The Payment Services Regulations (the PSRs) explain, generally speaking, that account holders will be liable for payments they’ve authorised, and banks will be liable for unauthorised payments. I’ve taken this into account when considering what’s fair and reasonable in the circumstances of this complaint.

In this case I’m satisfied that the payments were authorised by one of N’s signatories, as Mr H had been granted his own log in information to the Barclays.net system and had been granted access to N’s online banking using the director’s user information. This means that Mr H had been granted permission to make these transactions by N and had effectively been made an agent of the authorised users to undertake transactions. This means that the starting position here is that the bank isn’t liable for the transactions. But this isn’t the end of the story. Barclays has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer’s accounts safe. This includes looking out for payments which might indicate the consumer is at risk of financial harm - regardless of who is making those payments. But in this case, I don’t think it was clear that Mr H had been misappropriating the funds in N’s accounts.

Based on the evidence provided by both parties, I’m satisfied that Mr R allowed Mr H to use his user information to make payments through online banking. So, I think it’s reasonable that Barclays treated the payments made by Mr H as authorised, given that they were made via payment tools provided to a representative of N. I haven’t seen any evidence that I think would have alerted Barclays to the fact that funds were being misappropriated by Mr H. But in any event, even if I accept that Mr H was acting dishonestly and not in the way it was intended when he was granted permission to undertake transactions on N’s behalf, that doesn’t have any bearing on whether a payment was authorised or not under the PSRs.

Furthermore, I also think that the account terms were sufficiently clear about what would happen regarding the loss of funds if the payment tools weren’t kept secure. Having carefully considered everything, I don’t think there’s enough unusual or suspicious activity or any significant factors that I think ought to have given Barclays a cause for concern. So, I can’t fairly say that the bank acted negligently and therefore I don’t think it should be held responsible for N’s financial loss.

Could Barclays have done more before processing the payments?

There are various requirements that Barclays must meet in relation to its accounts, and its due diligence checks don’t end once an account is opened. Barclays must conduct its business with due skill, care, and diligence, and ensure that it has effective systems and controls in place to meet its regulatory obligations. This includes the ongoing monitoring of

accounts and payments to prevent the risk of money-laundering, fraud, and scams. Ultimately, it is a matter for Barclays to decide on how it chooses to configure its fraud detection systems and strike a balance between allowing its customers to transact business and questioning transactions to confirm they are legitimate. But I need to decide based on what I have seen whether Barclays could have and should have fairly and reasonably done more here to prevent N's loss.

Mr R says Barclays allowed Mr H to misappropriate funds using the Barclays.net system which the bank set him up on. However, I can see that when N completed the application for access to the Barclays.net system, Mr H wasn't on the bank's mandate. From the evidence available, it appears that Mr H was given access and permissions to submit payments for N through Barclays.net by Mr R in March 2022. In essence, this means Mr H was given the payment tools and granted authorisation by N to make payments on its behalf. I think it would have been reasonable for Barclays to believe that it was processing payments in line with N's instructions. And that N had undertaken the relevant due diligence before granting Mr H this authority.

Mr R told us that N operates its payroll through one system and then those details are exported to Barclays.net to process those payments. He feels that Barclays should have identified that there were mismatches in the account names and account numbers, and repeated payments to the same account which should have flagged to the bank. However, I've reviewed the N's transactions made through the Barclays.net system, and I'm satisfied that the misappropriated payments weren't out of character for the account, both in amounts and frequency. Given that the disputed payments weren't sufficiently out of character or unusual, I don't think it was unreasonable that Barclays allowed the payments to be sent without intervening.

I recognise that Mr R says that Barclays was aware that there was an issue because it provided a Confirmation of Payee ('COP') no match warning when Mr H was making payments to his own account details under another name. Mr R also feels that Barclays should have contacted him with these warnings as N's director. But I don't agree. The COP no match warning is made to alert the person processing a payment that the details don't match, and in this case Mr H was fully aware of this as he'd altered the details. Furthermore, Barclays process thousands of transactions in a day, and I don't think it's reasonable to expect the bank to contact a customer every time a COP warning is generated and accepted.

In this case, I can see that on the Barclays.net system, an alert was generated to say there was a mismatch on one or more of the payments that Mr H was processing within a bulk payment. However, this was accepted and overridden by Mr H and given that in the context of N's account there wasn't anything out of character, I think it was reasonable that this didn't flag to Barclays for intervention. Then, after the first bulk payment had been made, there was a similar warning created on subsequent bulk payments. But I don't think this would have appeared suspicious enough for Barclays to have intervened and contacted Mr R about it.

I've also reviewed the payments made through N's online banking to see if there was anything that should have made Barclays aware that Mr H was misappropriating funds from N's account. But I'm satisfied that this wasn't the case. Again, from what I've seen the payments made from N's account via online banking weren't unusual or suspicious enough to say that Barclays should have intervened. The payments were in line with previous transactions, for usual amounts, and in line with the general frequency of payments. The payments were also broadly to existing or expected payees – albeit with different account name and numbers – and made in line with the intended use of the account. I also don't think that payments being made on weekends or quickly from N's business account would have flagged to the bank given that the payments process is largely automated, and the

system wouldn't have known the specific pattern for the business, and they weren't particularly unusual.

I recognise that Mr R says that when COP no match warnings were presented for these payments, Barclays should have intervened and called him before allowing them to be released. However, I've seen evidence that Mr H wasn't authorised to make payments via online banking from N's account, and that the payments in question were made using Mr R's own user ID. Therefore, as far as Barclays was aware, Mr R was the one making the payments. Here, I don't think there was anything sufficiently unusual or suspicious enough to alert the bank that something wasn't quite right, so I think it was reasonable for the bank to believe that Mr R had received the COP warning messages and still wished to proceed with the payment. So, I don't think Barclays behaved unreasonably but not intervening in the disputed payments simply because of the COP warnings, or when it didn't contact Mr R by phone when his login details were used to make payments.

Barclays actions after the scam was reported.

As I've mentioned, I don't think Barclays should be held responsible for the misappropriation of funds from N's account. However, I've reviewed the evidence from both parties which included the various contact between Mr R and Barclays, and I'm not satisfied that the bank behaved reasonably here. However, I think it's important to note that although I think Barclays provided poor service after the fraud had taken place, which doesn't mean it should be held liable to refund the disputed payments.

Throughout the contact, it's clear that Mr R wanted the information about N's account transactions so that he could try and crystallise the losses and take appropriate action against Mr H. However, despite his pleas and requests for assistance, the bank remained unhelpful. Mr R repeatedly called the bank and was given both conflicting information and passed around different departments without success – even when trying to alert the bank to the fraud that had taken place from N's account.

I recognise that Mr R feels Barclays delayed any potential recovery of N's funds and hindered the police investigation, however I haven't seen any evidence that's the case. I say that because Mr H's bank indicated that the funds had been removed from the account before Barclays was aware of the fraud, and I've seen publicly available information showing that Mr H was convicted. I can understand why Mr R was frustrated with Barclays at what was already a difficult time for N, and I acknowledge that he says it's caused delays in processing N's insurance claim. Although I can't say for certain the delay has impacted N's insurance claim, I do think the bank's service was poor. So, I think Barclays should pay N £500 compensation for the inconvenience caused to the company.

I'm sorry to disappoint Mr R as I know he feels strongly about N's complaint, but based on the evidence I've seen, I don't think that Barclays had reason to doubt that the payments made by Mr H from N's account were genuine at the time. It's not disputed by any party here that Mr H has been charged with committing fraud, or that N was the victim of the misappropriation of funds. However, this doesn't mean that Barclays should be held responsible for N's loss.

My final decision

My final decision is that I uphold N's complaint. I instruct Barclays Bank UK Plc to pay N £500 compensation for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 8 August 2025.

Jenny Lomax
Ombudsman