

The complaint

Miss B complains that Citibank UK Limited ('Citibank') won't refund the money she lost when she fell victim to a scam.

What happened

Miss B says that on 8 August 2023 she received a call from someone who said they were from the High Court of Justice on behalf of HMRC. She was convinced that she was in default as a result of a tax code issue and that she owed money which needed to be paid to avoid arrest. As well as the outstanding tax, Miss B was advised of other charges that she needed to pay. The caller provided Miss B with letters from HMRC and the Royal Courts of Justice via a messaging app and asked Miss B to download a screen sharing application.

On the instructions of the caller Miss B made transfers from her Citibank account to a newly created account with an electronic money institution (and from that account she made transfers to individuals). On 8 August 2023 Miss B made some relatively low value transfers to her new EMI account and attempted to make a £6,000 transfer to an individual which was blocked. Citibank spoke to Miss B about this transaction, but it ultimately wasn't made. The following day, Miss B made transfers from her Citibank account which I have set out in the table below.

Transaction	Date	Time	Amount	Payee
1	09/08/23	11:38	£5,000	Individual 1
2	09/08/23	11:50	£7,000	Individual 1
3	09/08/23	12:34	£10,000	Individual 2
4	09/08/23	13:09	£10,000	Individual 2
Total			£32,000	

Each time she made a transfer Miss B was asked the reason for the payment. She chose the paying friends and family option.

Citibank became concerned about Miss B's account activity and blocked her account and contacted UK Fraud. UK Fraud spoke to Miss B about the activity on her account and ultimately persuaded her that she was the victim of a scam.

Citibank said it isn't liable for Miss B's loss as she authorised the transactions.

Miss B was unhappy with Citibank's response and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. He said that any further intervention by Citibank wouldn't have made a difference in this case. This was because when Citibank spoke to Miss B about two transactions, she answered the questions it posed incorrectly. Citibank also provided Miss B with scam warnings.

Miss B didn't agree with the investigator's findings and asked for a final response, so her complaint has been passed to me to decide. I have summarised the main points she raised below. I'm unable to consider new points that weren't raised in Miss B's initial complaint – like the daily limit on her account which she says she wasn't aware of.

- The scam resulted in huge financial loss and impacted her wellbeing.
- She was threatened to make the payments.
- She doesn't believe the investigator's view is in line with case studies published on our website.
- The lack of controls by Citibank haven't been considered.

I reviewed the complaint and asked Citibank for some further information. Based on this additional information I asked Citibank to refund 50% of payments three and four. This was because I noted that Citibank blocked a payment to the same recipient shortly before but didn't intervene and then processed payments three and four. As Citibank persuaded Miss B she was the victim of a scam after payments three and four had been made, when it blocked a further transfer, I thought it likely it could have done so before payments three and four were processed. But I felt that Miss B should share responsibility for these payments.

Citibank acknowledged that it made a mistake in processing payments three and four and agreed to my recommendation to reimburse £10,000 plus interest. I put the offer to Miss B, but she didn't accept it. She questioned why she should be held partly liable if Citibank made a mistake. Miss B also pointed out that she received documents that she thought looked legitimate.

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.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

There is no dispute that Miss B has been the victim of a cruel scam, and I am deeply sorry for that. But it doesn't automatically follow that Citibank is liable for all or some of a loss, just because a customer has been the victim of a scam. When I consider cases like this – I am looking at whether the bank – who was not party to the scam itself – should have done more and whether it could have prevented the payments from being made.

In broad terms, the starting position at law is that a bank such as Citibank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

But, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in August 2023 that Citibank should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;

- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment;
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

I've thought about at what point, if any, Citibank ought to have identified that Miss B might be at a heightened risk of fraud. Having considered her statements for the 12-month period before the scam I think the first transfer of £5,000 was unusual and out of character given Miss B's usual account activity. Other than a regular payment to a third party, the account was used for low value transactions - so I think a transfer of £5,000 to a new payee ought reasonably to have stood out to Citibank, particularly as it followed a series of transfers to a new EMI account.

I have been provided with a recording of a telephone call between Miss B and Citibank on 9 August 2023. It relates to a payment of £1,000 to the same recipient as payments one and two. During the call, Miss B confirms that it is the first payment to that payee, so it's clear that this conversation took place prior to payments one and two. At the end of the call Miss B was told to make the payment again, so it seems likely that when she did so she increased the amount of the transfer.

Miss B was asked the purpose of the transaction. She had chosen friends and family as the payment reason and told the Citibank adviser that she was helping a friend out. Miss B was advised that Citibank had seen an increase in scams and that criminals were creating new methods of defrauding which resulted in financial loss. The adviser went on to say that customers had lost money before by not providing truthful answers to the questions that would follow. Miss B then confirmed the following:

- that no-one had prepared her for the questions or asked her to hide the true reason for the transfer
- that no-one had threatened her or pressured her to make the payment
- she hadn't provided her card or personal details via a link or over the phone recently
- she hadn't been told her account may be compromised
- she hadn't been instructed to download a screen sharing application
- she had met and trusted the person she was paying

Citibank also blocked a payment the day before and gave the same advice and asked the same questions.

I appreciate Miss B was likely coached by the scammer to mislead her bank about the true purpose of the payment and that Citibank could have probed a little further. But I'm not persuaded Citibank could have uncovered the scam or prevented Miss B's loss at this point, given the responses she provided when it intervened.

When payment two was made the payee wasn't new and if Citibank had intervened, I consider the outcome would have been the same.

As I have set out above, Citibank blocked a transaction prior to payments three and four but didn't intervene and shortly after processed these two transactions to the same payee. I consider that if Citibank had intervened it would have been concerned about the repeated payments that Miss B said were to family and friends and taken the steps it later took, when Miss B tried to make a further payment after those in the table above. At this point, the scam was uncovered when UK Finance referred Miss B to an article which suggested that a payee Miss B had previously tried to transfer funds to had been linked with a previous scam. This was something Citibank did not know at the time the payment was attempted.

I've gone on to consider whether Miss B should share responsibility for her loss in respect of payments three and four. In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint.

I recognise that Miss B was provided with documents via a messaging app. The scammer sent Miss B a letter allegedly from HM Revenue & Customs dated 8 August 2023 which said she owed £997 in tax and would also need to pay a refundable amount of £2,500. Miss B was also provided with a letter which purported to be from the Royal Courts of Justice which said she needed to pay £6,000 to a judge and then she would receive £22,496.

Both the letters I have referred to above were fake. They were poorly written with poor grammar. The content of the letters was also dubious. I find it hard to accept that £997 in unpaid taxes would lead to Miss B having to make such significant payments. I also think being asked to pay fees to a judge before funds were returned warranted further scrutiny. And I'm not persuaded that HMRC, or a court, would require Miss B to pay instalments to various individuals as she did. Also, at the time I consider Citibank made a mistake, it was the second day of the scam, so she had had the opportunity to pause and question the legitimacy of what she was being told.

Overall, I'm satisfied that Miss B should share responsibility for her loss in respect of payments three and four.

I'd expect Citibank to take appropriate steps to try to recover Miss B's funds once it was confirmed she was the victim of a scam. I've seen evidence which confirms that it acted promptly but was unable to recover any funds so I can't say Citibank did anything wrong.

Miss B has asked if any action has been taken against individuals one and two. Citibank has notified the receiving banks as it should. It is for the receiving banks to investigate and take appropriate action in respect of the accounts. Citibank isn't involved in this process.

Overall, whilst I appreciate this cruel scam has had a significant impact on Miss B, I can only require Citibank to refund £10,000 plus interest as set out below.

My final decision

For the reasons stated, I uphold this complaint and require Citibank UK Limited to:

- Pay Miss B £10,000; and
- Pay interest on the above amount at the rate of 8% simple per year from 9 August 2023 to the date of settlement.

If Citibank UK Limited is legally required to deduct tax from the interest it should send Miss B a tax deduction certificate so she can claim it back from HMRC if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 27 March 2025.

Jay Hadfield

Ombudsman