

## **The complaint**

Mr A complains that London Mutual Credit Union Limited (“LMCU”) won’t refund payments he didn’t make or otherwise authorise.

## **What happened**

In February 2024, Mr A received a call from an individual impersonating LMCU. They told him they had identified suspicious activity on his account and asked him if he had made two online card payments to a retailer “X”. When Mr A didn’t recognise them, the caller reassured him that they would be able to recover the money.

The caller rang back and said they were experiencing difficulties in refunding Mr A’s account with LMCU and asked whether he had any other accounts they could credit the funds. Mr A provided details for his account with a bank “T”. The caller said they couldn’t use that account and so Mr A provided details for another account he held with bank “B”. Shortly after, Mr A received a notification from B about a payment attempt. It was then that he realised he’d fallen victim to a scam.

LMCU refused to refund the two card payments to X for £750 and £450 respectively. It said the payments were considered authorised as they were approved through additional verification in the form of One-Time Passcodes (OTPs) which were sent to Mr A’s registered mobile number.

Our investigator concluded that the disputed payments were authorised in line with the terms and conditions of Mr A’s account. They were also not persuaded that LMCU missed an opportunity to prevent Mr A’s loss. And that prospects of recovery via the chargeback scheme were unrealistic.

Mr A disagreed with the investigator’s findings and asked for his complaint to be reviewed by 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.

I’d like to start by thanking Mr A and LMCU for their patience while this complaint has been awaiting allocation to an ombudsman. Although I’ve only summarised the background to this complaint, I want to reassure the parties that I have read and considered everything that has been submitted in its entirety.

### *Is it fair for LMCU to treat the payments as authorised?*

The investigator initially referred to the Payment Services Regulations 2017 (PSRs) in concluding that Mr A was liable for the disputed payments. But as they later noted, the PSRs don’t apply to credit unions such as LMCU.

What this means is that in deciding whether LMCU has acted fairly in treating the payments as authorised and holding Mr A liable, I've looked at whether it correctly followed its own policy and procedures when the payments were made.

Here, the relevant framework contract are the terms and conditions applicable to Mr A's account. They state:

***"8 - How do we confirm that we're authorised to take action on your account?  
How do we check your identity?"***

***8.1 - We'll assume that we are dealing with you and that we are authorised to provide information about your account, make payments, provide new services, open or close accounts and do other things we are asked to do without further checks if we've checked your identity:***

- (a) by seeing some evidence of identity, such as a passport, in one of our branches;*
- (b) by confirming the security details used in connection with a payment device (except for some low-value contactless payments);*
- (c) by getting your written signature on paper or;*
- (d) by confirming the security details used with Telephone, Mobile and Online Banking.*

*In future, we may add other ways of checking we are dealing with you."*

LMCU says the disputed payments are authorised because OTPs were required to approve each transaction, and these were sent to Mr A's registered mobile number. It accepts that the scammer tricked likely Mr A into disclosing the codes, but the payments could not have been made without the OTPs.

Mr A submits that he didn't share any codes with the scammer.

Where evidence is missing, incomplete, or contradictory, I need to determine what I think is more likely than not to have happened. I do this by weighing up the evidence provided and making a finding on the balance of probabilities.

I've carefully reviewed the available information. I can see that Mr A has forwarded a copy of the OTPs he received from LMCU at the relevant time. So, I'm satisfied that the codes were sent to his registered mobile number. The technical evidence I've seen also confirms that the payments were approved following this additional step of entering the OTP when prompted.

There's no suggestion that the scammer was able to remotely access Mr A's device – he's confirmed he wasn't asked to install any remote access software. In the circumstances, on the balance of probabilities, I consider it more likely than not that Mr A shared the OTPs with the scammer, and this enabled them to make the payments on X's website. I accept that he was tricked into doing so, and that in the moment he might not have realised that this would enable the scammer to make the payments. But whether Mr A knew payments would be taken isn't key to whether LMCU is liable for his losses – the right process was followed to try to ensure that the request for the payments came from Mr A.

As such, I don't think LMCU has acted unfairly in treating the payments as authorised.

***Are there any other reasons why it would be fair for LMCU to provide a refund?***

I've also considered that, in line with the regulator's Principles for Businesses, LMCU must conduct its business with due skill, care and diligence. By the time these scam payments

were made, I would expect that to include having systems in place to monitor for, and respond to, indications its members are at heightened risk of financial harm from fraud.

What this means in practical terms is that LMCU ought to have been on the look-out for the possibility of fraud and made additional checks before processing payments in some circumstances. However, having considered when they were made, their value and who they were made to, I'm not persuaded that LMCU ought to have found the payments suspicious, such that it ought to have made enquiries of Mr A before processing them.

Once the payments were authorised by Mr A and processed by LMCU, LMCU would not have been able to stop the funds from leaving the account. I've considered whether LMCU did enough to try and recover Mr A's loss once it was made aware of the scam. As these were debit card payments. The relevant recovery method would be a chargeback. Here, the payments were seemingly gift cards related, and it's a common feature of the scam Mr A has described that the goods or services paid for are provided, but to a third party rather than the payer. So, on balance, I don't think it's likely that Mr A could have recovered his funds in this way.

Overall, while I appreciate Mr A's frustrations, for the reasons I've set out in this decision, I can't fairly hold LMCU responsible for the money he lost because of the actions of the cruel scammer.

### **My final decision**

For the reasons given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 19 August 2025.

Gagandeep Singh  
**Ombudsman**