

The complaint

Miss D complains that Lloyds Bank PLC (“Lloyds”) failed to refund transactions she didn’t recognise and provided poor customer service.

What happened

Miss D explained that she was subject to the fraudulent use of her account and received a large refund from Lloyds. At the time they also replaced her debit card. Miss D said that she hadn’t received any statements at her home via the post and a few months after the changeover of her card, she finally received a statement. She saw there were multiple cash withdrawals and one purchase from a store that she didn’t recognise.

Miss D reported the matter to Lloyds and the situation was discussed. Miss D was able to confirm that she still had her debit card which was kept securely. Miss D said that a close family member (I’ll refer to them as X) used it to shop on her behalf and they knew the personal identification number (PIN) of the card.

Miss D had a period of illness which meant X used the card for most of their shopping. Miss D said she rarely used cash machines and was surprised that Lloyds hadn’t notified her about the large number of withdrawals which had taken place over the previous few months. These amounted to a loss from her account of around £4,000.

Lloyds couldn’t identify how Miss D’s card details and her PIN had been compromised and wouldn’t offer a refund. Miss D raised a complaint about their decision and was also unhappy with their service, particularly related to advice she received indicating Miss D had to report the matter to the police before Lloyds undertook their own investigation.

Lloyds later accepted that their advice was confusing and apologised to Miss D, but they declined to refund the transactions she’d disputed.

Miss D was left unhappy with Lloyds handling of her complaint and brought it to the Financial Ombudsman Service for an independent review. An investigator was assigned to look into the matter and asked both parties to provide information about what had happened.

Miss D was able to say that:

- No statements were received, so she didn’t notice the transactions until several months after they started.
- She had had issues with postal deliveries before.
- X had the card and PIN to go shopping.
- X wouldn’t take the card without permission.
- X was sometimes with friends when he did the shopping, but Miss D didn’t think they were involved.

- X had a friend at the time who had access to Miss D's house.
- Miss D believed the loss of funds was related to the earlier fraud.
- She believed her card had been cloned.
- Lloyds service was poor and should have picked up the pattern of transactions and notified her.
- Miss D wanted CCTV to be reviewed.
- The police were notified.
- Miss D thought some payments to a supermarket (which often preceded a cash withdrawal) may also be unauthorised (but not reported as such at the time).
- Miss D thought her new debit card's details were too similar to her previous card number.

Lloyds provided details of their investigation and audit data from the disputed transactions. In summary this showed that:

- the debit card had been replaced.
- All the disputed transactions had used the genuine card (chip read) and the PIN.
- There was no evidence of a compromise of the card details.
- It was accepted Miss D was given some confusing information about the investigation and Lloyds apologised for this.

After reviewing the evidence, the investigator didn't think that Lloyds needed to refund those transactions. It was commented that:

- X had access to the card, knew the PIN and had permission to use it to go shopping.
- It was unlikely that it was repeatedly taken and replaced by an unknown third party, including X's friend.
- The card was kept securely.
- There's no evidence to suggest it was a cloned card that was used.
- Supermarket purchases (which were originally undisputed) were often made prior to the cash withdrawals.
- There's no evidence to suggest that the statements weren't sent.
- Lloyds didn't receive any statements undelivered.
- It was accepted that Miss D was unlikely to have made the transactions herself.
- Gross negligence and "intent" were considered.

- It's more likely than not that Miss D allowed another person to use her card and she's therefore liable for those transactions.

Miss D disagreed with the investigator's recommendations and asked for a further review of the complaint.

As no agreement could be reached, the complaint has now been passed to me for a decision.

I issued my provisional findings on the merits of Miss D's complaint on 27 March 2025. In my provisional findings, I explained why I didn't intend to uphold the complaint and offered both sides the opportunity to submit further evidence or arguments in response. An extract of that decision is set out below and forms part of this final decision:

"What I've provisionally 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 first like to address the substantive complaint issue raised by Miss D which relates to the disputed transactions.

The relevant law surrounding authorisations are the Payment Service Regulations 2017. The basic position is that Lloyds can hold Miss D liable for the disputed payments if the evidence suggests that it's more likely than not that she made them or authorised them, but Lloyds cannot say that the use of the card and PIN conclusively proves that the payments were authorised.

Unless Lloyds can show that consent has been given, it has no authority to make the payment or to debit Miss D's account and any such transaction must be regarded as unauthorised. To start with, I've seen the bank's technical evidence for the disputed transactions. It shows that the transactions were authenticated using the payment tools issued to Miss D.

It's not my role to say exactly what happened, but to decide whether Lloyds can reasonably hold Miss D liable for these transactions or not. In doing so, I'll be considering what is most likely on a balance of probabilities.

When Miss D reported the unrecognised transactions to Lloyds, several discussions were held about the circumstances of those payments and how the card was secured. Miss D confirmed that X knew the details and used the card to purchase shopping, but apart from that, no one else had access to the card or knew her PIN. At the time, Miss D retained the card in her possession.

Lloyds couldn't identify how the card (or PIN) could have been compromised (details known by an unauthorised third party) and didn't believe it was appropriate to make a refund. Miss D believed that her card could have been cloned.

The card issued to Miss D contained a chip which is "read" by payment terminals (including ATMs). Whilst it's possible to clone the magnetic strip on the back of some cards, our service hasn't yet seen any reliable evidence that the chip on a card can be cloned. If the payment terminal used the magnetic strip to gather information about the payment, this would be reflected in the audit data for the payment. Essentially the codes related to the payment data would be different. I've not seen any evidence that the magnetic strip was used as part of the payment process.

So, I'm satisfied the card used to make the transactions disputed were made using the genuine card issued to Miss D. The card also required the PIN to be used to authorise the payment. The evidence here indicates that both Miss D and X knew the PIN. Miss D also confirmed it wasn't written down anywhere. Whilst it's possible that someone other than Miss D and X could have seen the PIN being entered into a payment terminal at some point, I don't think it's plausible that an unauthorised third party could repeatedly take Miss D's card, use it and replace it without her knowledge.

When Miss D gave the card and PIN to X, this created an arrangement where "apparent authority" was passed to the user of the card. This can often be in conflict with the account's terms (particularly if the bank aren't aware of the arrangement) but is allowable under the PSRs. But, that generally means the account holder is responsible for the use of the card, unless that arrangement feels closer to theft.

Miss D denies that X is responsible for the disputed transactions. Whilst I acknowledge her belief, the evidence indicates that ATM withdrawals were often preceded by (at the time) undisputed transactions at other merchants. I understand Miss D later raised the possibility that those earlier transactions were also disputed. If that was the case, I'd expect those would have been raised at the time.

I'm not required to specify who made the payments, but whether Lloyds had sufficient evidence to hold Miss D liable. Whilst I acknowledge that the transactions disputed by Miss D weren't likely carried out by her, there's no evidence to support the case that they were carried out by third party's unknown to her.

That's also supported by the pattern of withdrawals (and one purchase) which, as I've mentioned often followed a supermarket purchase. If Miss D's card was acquired by someone without authority to use it, I'd expect the account to be treated differently and many more payments withdrawn. If it was someone unknown to Miss D, they wouldn't know when the card would be discovered missing and blocked, so these types of theft usually see repeated uses of the card to maximise the funds before discovery. That's not what happened here.

Miss D was critical of Lloyds fraud messages and there was some confusion about messages sent to her. With chip and PIN transactions, because they use the genuine card and information known only to the user, Lloyds wouldn't have any particular reason to doubt the withdrawals. At the time, they couldn't know how Miss D's account was being used, so I don't think that it was unreasonable that they didn't notify Miss D about the card's use.

While I'm sure Miss D will disagree with me, the evidence that I've considered currently leads me to the conclusion that, on the balance of probabilities, it was more likely than not that Miss D authorised or allowed her card details to be used to make the payments. So, taking everything into account, I think it's fair and reasonable for Lloyds to hold Miss D responsible for those transactions she's disputed.

Miss D was also unhappy about the service she received from Lloyds. Having reviewed the evidence concerning this, it's evident that Miss D was initially given some confusing information (concerning a report to the police) about the process related to her dispute. Lloyds later apologised for this and proceeded to look into her claim.

I acknowledge that Miss D was frustrated by Lloyds approach to her dispute, but I don't think they acted unreasonably in how they (eventually) dealt with her claim. They're required to assess the claim and make their own decision based on the information available to them. As far as I can see, they did this and advised Miss D they couldn't refund her based on the

use of the card and PIN.

Lloyds weren't required to involve the police before they made this decision and they confirmed to Miss D they would assist in any subsequent investigation if approached by the authorities. I don't think this was unreasonable or unfair to Miss D.

There's also disagreement over the receipt of statements by Miss D. Lloyds believe they sent them, and Miss D has confirmed she didn't receive them. At this stage, it's not possible to determine if they were sent and not delivered or just not sent out after being prepared. I appreciate this delayed Miss D's understanding about how her account was being used, but as I currently intend to make a finding that the payments were authorised, the lack of statements don't impact the outcome here.

I acknowledge that Miss D was frustrated by the situation and thought that Lloyds rushed the investigation, but having considered the evidence, I don't think that Lloyds treated her unfairly. I think Lloyds apology for their initial confusing information was an appropriate way for them to deal with the service issues.

My provisional decision

My intention is not to uphold this complaint."

I invited Miss D and Lloyds to give me any more evidence and information they wanted me to consider before issuing my final decision. Lloyds didn't respond and Miss D wasn't in a position to respond within the original timescales. An extension was provided, and Miss D has since been able to respond.

Miss D said that she's found the whole process dealing with Lloyds as very traumatic. She went on to say she had trust issues in respect of Lloyds and she felt that she was unable to provide further evidence because it wasn't in her power to obtain the necessary evidence. Miss D repeated her assertion that Lloyds should've notified her about the withdrawals. She found it perverse that she's been found to have authorised these payments.

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, and as neither party had anything further to add that would change the outcome, I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my provisional decision.

I acknowledge that Miss D feels the process has been traumatic. It's recognised that issues of this kind bring with it a certain amount of friction and often takes quite some time to deal with, particularly with issues such as the one experienced by Miss D.

I've already made a finding about the authorisation and whilst I acknowledge Miss D's point of view, I won't be changing my recommendations given the evidence I've been able to assess, which has also been provided to Miss D.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 3 June 2025.

David Perry
Ombudsman