

The complaint

Miss G says TSB Bank PLC (“TSB”) refuses to clear an overdraft fraudulently taken out by a third party and refuses to pay compensation for the distress and inconvenience caused.

What happened

The facts of the case are well known to both parties, so I won’t repeat them in detail here.

In short, Miss G says her phone SIM card was cloned and fraudsters hacked into her online banking accounts. Once they had gained access to her TSB account, they took out a £2000 overdraft facility and transferred the money to another account in her name with another bank (I’ll call the other bank “Bank T” for the purposes of this decision). Miss G contacted TSB as soon as she had discovered the fraud. She says TSB should refund the £2000 taken out from her TSB overdraft, and refund all fees and charges applied. She is also unhappy TSB allowed this fraud to take place on her account, which has caused her immense distress and inconvenience, as well as financial loss. She would like compensation for this.

TSB recognises that Miss G’s account had been taken over by a third party who took out the £2000 overdraft in her name. However, as Bank T has refunded her the £2000, which was then transferred out of her account with Bank T, she should have returned this to TSB to clear the overdraft facility. TSB says she is still liable to clear the £2000 overdraft which she has received in credit for by Bank T. TSB has not offered any compensation at this time.

Our investigator considered this complaint and decided to uphold it in Miss G’s favour. She said TSB should clear any fees and charges associated with the overdraft thus far. It should also remove any adverse information recorded on her credit file as a result. However, she did not feel TSB should clear the overdraft, as this would mean she would be refunded twice for the same £2000 loss. The investigator also didn’t feel any compensation was due here. TSB accepted the outcome, but Miss G was not happy. So, the complaint has been passed to me for a final decision.

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.

At this point I would like to set out that our Service was set up to informally resolve disputes when things go wrong. And we do this by putting the consumer back in the position they would’ve been in had things happened as they should have. We were not set up to punish financial providers for any wrong doings and we cannot instruct them to change their products or processes. We can consider awards for compensation, and we do so in line with our guidelines as set out in the “Compensation for distress and inconvenience” page on our website.

I’d also like to reassure both parties that although I’ve only given an overview of what happened, I’ve read and considered everything we’ve been provided in its entirety.

There is no dispute that Miss G was a victim of fraud. All parties agree on this, so the starting point is that Miss G should be put back in the position she should have been in had the fraud not taken place. This means the £2,000 that was taken by the fraudsters should be returned to her, she should not have to pay any fees and charges caused by the overdraft, and there should be no adverse information recorded against her as a result of the debt caused by the fraudsters.

TSB has agreed to refund the fees and charges in relation to the overdraft. It has also agreed to remove any adverse information recorded on her account because of this. TSB says it won't refund the £2,000 the fraudsters took out of her account and sent to Bank T, because the evidence shows she has already been refunded this money by Bank T. I've considered this evidence, and I agree the £2,000 has already been refunded to her which financially puts her back in the position she would've been in had the fraud not occurred.

Miss G says the fraudster took out an overdraft which she had never had before, and TSB allowed this to happen without any intervention. So, to put things right she says TSB should cancel the overdraft, which would effectively mean crediting her account with £2,000. I have considered this point, but I don't agree that would be fair. I am satisfied that the monies lost to the fraudster has put credited back to her account with Bank T. Therefore, if TSB cancel the overdraft it would mean she has received a £2,000 benefit as a result of the fraud.

As I outlined above, our Service seeks to reach a fair outcome by putting the consumer back in the position they would've been in had things happened as they should have. However, crediting the account now, after she has already received £2,000 credit from Bank T, would not be putting her back in the position she would have been in. So, I won't be asking TSB to cancel her overdraft and credit her account £2,000.

Miss G has complained that compensation should be due to her as a result of the distress and inconvenience this situation has caused. She says TSB allowed this fraud to occur on her account, with no security measures to safeguard her money. Her mental health deteriorated, and she was signed off work for anxiety and depression. She now says she lost her job and has been diagnosed with a long-term condition.

Firstly, I would like to say I am sorry to learn about the deterioration of Miss G's mental health. It sounds like she has been through a tough period, and I hope in time she is able to recover. I have not been provided any proof to support what Miss G has said this, but I will take this on face value in considering the issue of mental health. And while I appreciate what Miss G has described sounds extremely distressing, I don't think it is reasonable to ask TSB to pay compensation for this. I'll explain why.

Having fraud committed on someone's account is undoubtedly stressful and upsetting. Sadly, instances of fraud occur daily, and the techniques and scams are getting more and more sophisticated. But it isn't always fair to blame the payment service provider (in this case TSB) for fraud occurring. In this instance I understand the fraud took place as a result of a SIM swap where a third party then gained access to her accounts through her phone number. So, I can't reasonably conclude that the fraud occurred due to anything TSB had done wrong.

From the evidence I've seen TSB took action as soon as Miss G had informed it that her accounts had been compromised. It blocked her account at that point and contacted Bank T to raise an indemnity to have the money returned. Bank T didn't return the money to it, but it returned the money to Miss G. I've also seen on more than one occasion TSB instructed Miss G to use the refund given by Bank T to pay off the overdraft facility taken out by the fraudster. I believe our Service has also advised her to do the same. However, to date, I don't believe she has returned this money. I haven't found any errors in TSB's handling of

this complaint which would warrant and compensation.

Miss G raised the point that as she had never taken out an overdraft previously, TSB should've contacted her to question this before allowing the payment to go through. Usually we would expect large payments, perhaps international payments, or payments significantly out of character to be flagged. The payment in dispute was to another account in Miss G's name and for a reasonable sum of money. There was also no indication that this could have been fraudulent. So, I don't think TSB did anything wrong by not blocking this transaction. And in any event the money has been returned to her, which is usually what we would ask the payment service provider to do in instances when we decide they should've intervened.

So, overall, I confirm that it is fair for TSB to refund any fees and charges associated with the overdraft taken out by the fraudsters. It is also fair for TSB to remove any adverse information recorded on her credit file because of this. But I don't think TSB need to cancel Miss G's overdraft facility by refunding a further £2,000 as I am satisfied all the money she lost has been returned. I also don't think TSB have done anything wrong or needs to award any compensation here. I do wish to highlight that, as I understand it, Miss G does still have an outstanding overdraft which she needs to pay back. Any fees and charges applied, or adverse information recorded on her file as a result of her failure to clear the overdraft in the future will be Miss G's responsibility.

Putting things right

TSB should refund any overdraft fees and charges applied till date. It should also remove any adverse information recorded on her credit file thus far in relation to this.

My final decision

I am upholding the complaint as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 15 July 2025.

Sienna Mahboobani
Ombudsman