

The complaint

P, a limited company complains that Barclays Bank UK Plc didn't do enough to prevent the loss it suffered when it sent money to a Barclays account as the result of a scam.

Mr I, a director of P has brought the complaint on its behalf, but for ease of reading, I'll mostly just refer to Mr I where I mean his company P.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here. In 2021, Mr I says he was the victim of a scam. He was expecting to settle an invoice in the course of his business. As a result of this in August 2021 he instructed a payment from P's account (with its bank based outside the UK) to an account held with Barclays. The payment was for \$93,228.75, it credited the Barclays account as £65,904.14 on 3 August 2021.

The bank details Mr I was provided with weren't those from the company he was dealing with and had been changed by a scammer. When Mr I realised he'd been the victim of a scam he says he reported this to both his own bank and directly to Barclays. He says his bank never received any response from Barclays. Ultimately he complained, he didn't think that Barclays had done enough to prevent the loss he suffered. The matter was later referred to our service.

One of our Investigators recommended that the complaint should be upheld in full. This was largely based on Barclays not providing evidence to support its position. As agreement couldn't be found, the complaint was passed for an Ombudsman's decision.

Barclays then provided some further information and evidence. And in February 2024 I issued a provisional decision to reflect the updated position. That decision said:

"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, I'm intending to reach a different outcome compared to that of our Investigator. The crux of Mr I's complaint is that Barclays should have done more than it did in relation to the recipient account and that this has caused his loss. I've looked at the steps Barclays took when opening the account in question. I've seen evidence of a valid passport and a utility bill from the time. And I don't think Barclays reasonably could have known (when opening the account) that it would later go on to be used in connection with a fraud or scam. So, I don't think Mr I's loss was preventable in this way.

I also accept what Barclays have said insofar as that (prior to the arrival of Mr I's funds) they'd received no notifications of fraud or scam in relation to the recipient account. And there wasn't anything in the account activity (again prior to Mr I's funds arriving) such that I think Barclays could reasonably have been expected to have intervened in the operation of their customers' account.

When Mr I's funds arrived, they promptly began to be sent out from the account. I've copied some of the relevant account movements below:

Date	Amount	Notes
3 August 2021	£65,904.14	Incoming payment from Mr I
3 August 2021	£12,500	Outgoing transfer to 'A'
3 August 2021	£18,000	Outgoing transfer to 'A'
3 August 2021	£19,500	Outgoing transfer to 'A'
4 August 2021	£16,380	Outgoing transfer to 'A'

Following this activity, the account had a balance of £6.77. There is some suggestion in Barclays' notes that this amount was later returned to P. Barclays have also said they haven't been able to confirm the exact timings of the payments due to records no longer being available. So, I've worked on the assumption that the payments took place in the order listed above, which reflects how they appear on the account statements Barclays have provided.

The payee 'A' had been paid from that account previously. But even taking account of this, the above activity was a departure from how the account was usually used. And I think this activity represented an increased risk. At the point of the Barclays customer instructing the £18,000 payment on 3 August 2021, I think Barclays should have blocked the account and investigated further. The account activity ought to have raised concerns about the potential misappropriation of funds.

And I think any review of the account activity couldn't have failed to have noticed the recent incoming payment from Mr I which was for a significant amount. I also think Barclays would have seen that their customer may not have been the intended beneficiary for that payment. I say this because the evidence Mr I has provided shows that the information most likely transmitted with the payment instruction included that the intended beneficiary of the payment was someone other than the accountholder.

The activity also wouldn't have fitted in with what Barclays would have known about its customer (from the information taken at account opening). Barclays were anticipating a yearly turnover of around £44,000. And Mr I's incoming payment was significantly above this. There also would have been no obvious link between the type of business of that of the accountholder and the need to receive international payments (when the KYC information indicated there wouldn't be international business). The attempts to promptly move on funds received can also be indicative of potential misuse of an account.

Taking all of this together, I think Barclays ought to have asked their customer for proof of entitlement to the funds received from Mr I. The evidence from Barclays supports that when the scam was later reported, the accountholder engaged with Barclays and attended a branch. So, I think it's more likely than not that they would have attempted to have explained their entitlement to the funds. But, on balance, I'm not persuaded that they would have been able to provide anything acceptable such that Barclays would have then released the funds. This is particularly in the context of when the first scam report was received.

On 10 August 2021 Barclays received a fraud notification (from another party in relation to a different payment that had been received in the same account on 29 July 2021). This would have added to the overall picture that something was amiss. The notes from Barclays also indicate that there was a third party who called to report a scam on 15 August 2021. On balance, this was Mr I or his agent as this fits in with when he says he tried to report directly to Barclays. And whilst Barclays weren't wrong to tell Mr I to report through his own bank, I

think this would have been enough for Barclays to have withheld the remaining funds that were available in the account at that time. The report from Mr I's bank seems to have arrived with Barclays on 1 September 2021.

Overall, I don't think Barclays' accountholder would have been able to provide sufficient proof of entitlement to the funds Mr I had sent before Barclays were on notice of a problem with the payment. And as such, I think it would be fair and reasonable to direct that the remaining funds at that point, should be refunded. These total £53,404.14 (£65,904.14 less the £12,500 that I don't think Barclays reasonably should have stopped).

I've considered whether Mr I should bear some responsibility for his own loss due to contributory negligence. But, in the circumstances of this complaint, I'm not persuaded he should. I've seen a copy of the invoice with the amended payment details and it doesn't appear to be obviously fake. I've also seen no evidence to support that warnings were given by Mr I's own bank which were then ignored. So overall, I'm not currently persuaded that when sending the payment Mr I knew, or reasonably should have suspected there was a potential problem but continued despite this such that a reduction in award would be appropriate here.

Putting things Right

Barclays must pay P £53,404.14. Barclays may reduce this by any amount which has already been recovered and returned to P, as long as those returned funds relate to the loss they could've prevented.

8% simple interest should be added to be calculated between 1 September 2021 (taking account that the return of funds would have likely taken a short while to arrange) and the date of settlement. This is to compensate P for the loss of use of funds they otherwise would have had access to."

Mr I responded to say he accepted the provisional decision but he did however still have some questions. Barclays disagreed and raised some further points that I'll address below.

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.

Mr I has said that in essence he doesn't understand how Barclays were able to credit a payment to an account when there was a mismatch between the beneficiary details provided with the payment and the details of the accountholder.

When an international payment is applied to an account, generally the International Bank Account Number (IBAN) is used. This is a unique number specific to each payment account. There may be many accounts where accountholders have the same or similar names, but no two accounts will share an IBAN. So when Barclays applied Mr I's payment to the account, there was no requirement for it to check any further information at that time. So I can't say Barclays acted unreasonably when applying the incoming credit based on the IBAN alone. And it's not until I think their suspicions ought to have been raised (in line with what I've set out above) that I would have expected this to have been noticed and acted upon.

Barclays have said that they don't agree that an incoming £65,000 credit ought to have been picked up on as suspicious. They also point out that expected turnover for a business isn't necessarily the same as the credits arriving in and leaving its account. They've also said that

they don't think it is unusual for payments to promptly leave after a credit is received – pointing out that many businesses will settle invoices with suppliers soon after receiving a payment.

I acknowledge that activity on a business account may be different to what might be expected on a personal account. And for clarity, I'm not suggesting that the incoming payment ought to have been the reason that Barclays intervened. But I maintain that the transfers from the account were a significant departure from how it had been used before (in light of the limited prior activity). There also would have been a higher risk associated with this account (which was in its first year of operation) compared to those with a longer history. So I maintain that the payment instruction for £18,000 which meant over £30,000 had then been instructed from the account in a single day, was sufficient to expect intervention from Barclays in the manner I've described above. And given there had been a very recent and significant incoming payment from Mr I, I think this ought to have raised concerns about the potential misappropriation of funds. And it's once this intervention was taking place that I'd have then expected Barclays to have noticed the mismatch with the beneficiary information and that the incoming payment wasn't in line with what might be expected given the information provided at account opening. I note Barclays' point about account credits and debits not all necessarily being identical to turnover. But I still think it is broadly an indicator of the expected volume of funds that might be expected. And in this case, particularly with the nature of the businesses involved and the incoming payment being international (with no suggestion the accountholder intended to trade internationally), all of this would have added to the overall picture that something was amiss.

So whilst I've considered all the further points raised, I'm not persuaded to deviate from the outcome explained in my provisional decision.

My final decision

For the reasons outlined above, my final decision is that I uphold this complaint. Barclays Bank UK Plc must take the steps outlined at 'Putting things Right' above.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 11 April 2024.

Richard Annandale
Ombudsman