

The complaint

Mr B is unhappy Lloyds Bank PLC hasn't refunded payments he says are unauthorised.

What happened

Mr B reported to Lloyds that he'd been the victim of fraud. He explained he hadn't received his new card and PIN reminder and that they'd been used to make a number of transactions on his account. He requested them at the end of October 2023 and called just over three weeks later to explain they'd not been received. In that time there were 19 transactions, including five large cash withdrawals in different branches.

Lloyds determined that it was most likely Mr B carried out these payments or he authorised for someone else to do so. They explained that the card was sent separately to the PIN reminder. And that the new card with his correct PIN were used for all the payments, including those in branch. And that the transactions in branch also required ID for Mr B. A copy of his driving license was recorded as being seen on each occasion.

Mr B disagreed and brought his case to our service. I issued a provisional decision on this case in July 2024. My findings were as follows:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I recognise that there are a number of anomalies in this case on both sides. But based on the information we hold, I don't currently agree it's one we should uphold.

I've started by considering what authorisation means under the Payment Services Regulations 2017 (PSRs). One part is that the payment must have been properly authenticated. Lloyds has provided records showing the payment steps were completed properly for the payments, with the use of the chip from Mr B's card, and with the PIN being entered correctly. So I'm satisfied therefore the payments were authenticated correctly.

Correct authentication isn't enough to deem the payment was authorised. The PSRs say that Mr B must also have given his consent to the execution of the payment. In practical terms, it means Mr B consents to a payment by completing the agreed steps (such as entering his card into the merchant terminal and entering his PIN), or by him allowing someone else to. And that is what I need to decide in this case, as Mr B says he wasn't party to any of the payments and didn't consent for anyone else to carry them out. Where there's conflicting information from each party, I have to decide on balance what I think is most likely to have happened.

Mr B has explained that his mobile phone screen was damaged at the end of October 2023, so he wasn't able to log into his banking after this accident. I can see the last online banking log-in from his registered phone was 2 November 2023, so I assume his recollections of the accident are a few days out, which isn't unexpected or unusual. But it therefore happened on either 2 or 3 November 2023.

However, what is then more unusual/coincidental is that the fraudulent payments start either the same or next day. And the large withdrawals in branch start only four days later.

The usual pattern we see when the kind of fraud reported here is committed is that the account would be quickly emptied. The fraudster is conscious that as soon as the account owner looks at their account, they'll see they are a victim of fraud and report it, preventing any further funds being accessed. And with the introduction of mobile banking, people check their accounts more regularly. Here, the transactions occur over a two-week period, suggesting the person was either authorised to make these payments or someone known to Mr B, so they were confident he wouldn't check his banking during this time.

And other factors also support this. Mr B requested a new card on 25 October 2023 because he'd unexpectedly damaged it. Then he was involved in the incident that damaged his phone screen a week later, meaning he wouldn't have access to his banking until his phone was repaired – as he's told us his replacement phone didn't have internet. Without both these random events, the reported fraud wouldn't have been able to happen. So the person who made the payments seemingly not only knew about the new card and separate PIN reminder coming in the post; the phone accident; but also that Mr B wouldn't have access to his online banking in that time, as many would.

Mr B told Lloyds and our service that he arranged to have his phone repaired shortly after he requested the new card and that he received it back the same day he called the bank to report the missing card. Considering the damage described, this made sense. However when we asked for evidence of this, he provided an invoice for the work and said he'd been mistaken and that he didn't send the phone off to be repaired until 25 November 2023, so over a week after the fraud happened. And it wasn't returned to him until 17 December 2023. I've listened to the call where Mr B contacts Lloyds to ask about the missing card and in this call he proactively tells the advisor he just collected his phone. So it's not clear why he'd say he just got his phone back that morning from the phone shop, when he's now told us that wasn't the case. And the invoice we have doesn't support this happening.

Moving then to what happened in branch from 6 November 2023, I accept the driver's license Mr B has provided has a different license number to the one Lloyds staff reportedly saw in branch. And as this same, incorrect, license number was recorded in multiple branches and for each reported payment, I'm persuaded that the document shown in branch did have this alternative number.

My research suggests that it's quite difficult to get a new/different license number, even if a license is reported lost or stolen the new license will have the same number. And I've seen two of Mr B's licenses, the one he says is current one and his expired one – and both these have the same number, excluding one showing it's the sixth license issued and the most recent one the seventh. So, based on what he's told us, the license provided in branch wasn't Mr B's license at that time.

However, it's difficult to understand how this third party had either the time (considering the random nature of the accidents and how quickly the fraud happened), or access to the information needed to then create a false license that would pass bank security. Or why, having gone to this level of effort, they then wouldn't have acted to quickly clear the bank account. There's a 4-day period between the first set of large transactions and the second, the first set occurred on a Friday, Saturday, and Sunday. And then the next set started the following Friday.

Also, they had Mr B's full card details and his PIN so could have accessed the funds in his account in a number of ways without the risks of going into branch in person five separate times. It's very unusual for someone committing this kind of fraud to transact in branch.

Looking at the signatures for the withdrawals, I accept the ones completed for Mr B in branch are not perfectly accurate and don't match his. But they are reasonably similar – so the person who signed them was at least aware of what Mr B's signature looked like. If his card and PIN reminder had both been intercepted by a stranger, it isn't clear how they'd have seen his signature, as it wouldn't be shown on these documents. So this also indicates the payments were completed by someone known to Mr B.

Mr B's mobile number was also updated as part of the branch visits and this required two forms of ID, so the person had access to some other documentation of Mr B's. Due to the time passed, Lloyds can't confirm what was provided in addition to the driver's license.

I've then considered the wider circumstances of this case. I note that when Mr B ordered a new card and PIN reminder in 2022, he was then the victim of this same kind of fraud. He was living at a different address at that time and in a different area. So it is another unusual factor that someone would be the victim of this kind of fraud twice in around 18 months at two different homes. Mr B had recently topped the account up with a large sum that time too. And his mobile number was changed in branch by the fraudster, which is what happened this time as well. Having known his card was damaged and what happened before, I'm also surprised Mr B chose to pay large sums into his account knowing he wouldn't have access to it for some time.

Then, returning to the reported fraudulent account activity, as previously mentioned, the fraud occurs over two weeks in this case. And the transactions don't ever attempt to take the account overdrawn and, coincidentally Mr B reports the card missing the same day as the account is finally drained. The disputed transactions include ATM withdrawals, but £80 and £10 are withdrawn rather than the full available sum at that time. None of this is commonplace in card interception fraud. And as Mr B was a victim of this before, it's not clear why he waited so long to check where the missing card or PIN were, as he was aware they were due, coming separately and were nearly two weeks late by the time he did call.

At present I consider there are too many unexplained factors and unusual, coincidental circumstances in this case for me to say Lloyds was wrong to consider the payments authorised. I'm satisfied that it couldn't have been an unknown party who carried out these payments.

Mr B has been the victim of this kind of fraud before and received a full refund that time. It seems too coincidental that for a second time, a large sum is deposited into his account and then stolen by fraudsters who intercepted his mail without his knowledge. And that again he doesn't chase the missing post until sometime after it was due. But instead happens to chase on the exact same day the fraudster finally emptied his account.

Based on the information we hold, I think it is most likely that Mr B either carried out these payments himself or authorised someone else to make them. So my current decision is that Lloyds doesn't need to take any further action.

Lloyds responded accepting my provisional decision. Mr B did not respond. We contacted

him using the mobile number and email address he'd recently responded to us on, but we received no answer or replies. So, considering the deadline passed some time ago, I consider it's appropriate to now progress the case.

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.

As Lloyds accepted my findings and Mr B has not provided any further evidence or disagreement, I see no reason to change them.

So, in line with what I previously set out, I think it is most likely that Mr B either carried out the disputed payments himself or authorised someone else to make them. So these payments were fairly deemed to be authorised and Lloyds doesn't need to take any further action in this complaint.

My final decision

For the reasons set out above, including the findings of my provisional decision, I don't uphold Mr B's complaint

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

Amy Osborne
Ombudsman