<u>Ombudsman Decision</u>
<u>CIFO Reference Number: 24-000551</u>
<u>Complainant: Miss M</u>
<u>Respondent: RBSI t/a NatWest International (Jsy)</u>

The complainant, who I shall refer to as Miss M, complains that RBSI, trading as NatWest International (Jsy) ("NatWest") failed to apply controls to her account in response to her vulnerable status, and as a result did not protect her when she spent over £9,000 of her savings on purchases with the same online merchant over the period 25 November to 2 December 2024.

Background

Miss M had a Foundation Bank account with NatWest since 2020. She also had a savings account. The Foundation Account provided a debit card but did not allow any borrowing from the bank (including overdrafts). Over the period in question, Miss M made a total of 145 payments to [redacted], an online competition / live draw website for which a customer buys entry tickets to win prizes. In total, she spent a total of £9,486.04. The website credited her account with £2,165 from competition winnings and awarded her £1,500 compensation for not blocking her access sooner than they did when they realised how much she was spending, resulting in an overall net claimed loss of £5,821.04 (£9,486.04-£2,165-£1,500).

In her complaint, Miss M said during this period she had suffered from a psychotic episode linked to her diagnosed conditions of autism, post-traumatic stress, and generalised anxiety, during which her spending had

[1] Financial Services Ombudsman (Jersey) Law 2014 Article 16(11) and Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 Section 16(10)

been compulsive and uncontrolled. As a vulnerable person, in its duty of care to her, Miss M believed NatWest should have taken steps to prevent her from being able to make the payments and spend all her savings. Miss M claimed for a £9,000 financial loss as a result.

NatWest confirmed Miss M had not requested to be considered as vulnerable, therefore, it had no reason, or consent given to it from Miss M, to apply specific controls, markers, or monitoring to Miss M's account. Subsequently, the CIFO Adjudicator concluded NatWest had not acted in error or unreasonably by not stopping the payments and did not uphold the complaint.

NatWest accepted the Adjudicator's recommendation, but Miss M did not and requested my review and a final decision.

Subsequent Submissions

Miss M said:

'[redacted] claimed they were not a gambling website but they were operating like a gambling website and put in gambling guidelines following what happened with myself. They have since changed their activity on their website.

I feel if NatWest had tried to contact me I'd have stopped spending sooner as it would have made me think about my spending. I don't think any customer should be allowed to spend everything in their account on one website.

She continued: *'I think regardless of any vulnerabilities and any limitations on an account, multiple transactions to the same website varying in amount, should be highlighted to the client and I would have been able to recognise that engaging in a gambling website was not a good idea for myself.'*

I believe NatWest didn't act appropriately and put safeguarding measures in place and some financial reimbursement should be considered.'

NatWest had nothing further to add.

Findings

I have considered all the available evidence and arguments to decide what is, in my opinion, fair and reasonable in the individual circumstances of this complaint. Where necessary or appropriate, I reach my conclusions on the balance of probabilities; that is, what I consider is most likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

As part of her complaint, Miss M provided a doctor's letter outlining details of her diagnoses. It is not my place to surmise from this letter her vulnerability or conclude whether she was capable or not of managing her own financial affairs. However, the letter does not recommend she be assisted or that a delegate be appointed to take responsibility for her financial affairs. I am also not in a position to question Miss M's account of the self-described effect of her diagnoses on her spending behaviour in what she described as being a psychotic episode; causing her to act compulsively with little or no control over her spending. I can only review the evidence, as presented to me, to conclude whether the actions of NatWest were fair and reasonable in the circumstances. I also consider whether the actions of the complainant suggest a failure to mitigate the losses claimed.

My starting point is to look at the bank's obligations in such circumstances. When a bank receives an instruction to make a payment, in whatever form, it is under a general obligation to comply with that instruction. It is clear to me that Miss M, during the period in question, made the payments to [redacted] in order to enter competitions, with the aim of winning prizes. That these payments were intended and authorised by Miss M is not disputed. The question for me to consider is whether NatWest had a duty to intervene or, even if not, was there a reasonable expectation that the bank should have intervened in the circumstances?

To answer this, I wish to confirm a number of points that I consider to be standard banking practice which, to my mind, are relevant to this complaint:

1. A bank will normally designate a customer as vulnerable if the customer informs them of the vulnerability.

2. A bank will commonly apply specific controls or markers to an account after being notified by the account holder about a vulnerability, or for more general reasons such as where the bank considers it necessary to protect its customers, for example after receiving reports of fraudulent activity associated with specific online merchants.
3. Because it is unrealistic for banks to personally check all payment instructions before enacting them, banks establish their own parameters and algorithms for identifying circumstances where they will intervene. Such interventions can include blocking transactions or referring transactions for follow-up with the customer to confirm customer intentions or to provide warnings of possible risk of fraud. Such interventions are common in situations where transactions are assessed to be of higher risk, for example when there are unusual transaction patterns.

Miss M met with NatWest staff at her local branch in 2020 to discuss her account. Her mental health care worker was also present. In that meeting, NatWest noted Miss M's vulnerability on the account opening form, but then it had been crossed off. I have no reason to doubt NatWest's account that Miss M said she did not wish to be classed as vulnerable. That was consistent with the crossed off notation on the application form. It was her choice whether to be classified as vulnerable.

NatWest said that when a customer informs it of a vulnerability, it would tailor an approach to the individual circumstances. It would also use its discretion if it felt a Banking My Way (BMW) marker, used to make notes on an account to reflect specific customer needs, e.g. to show where English may be a second language, was needed even if there had not been consent given by the customer. In this case, NatWest was not sufficiently concerned that a BMW marker was considered necessary even without Miss M's consent.

Looking at the statements from 2020, Miss M's account was very active, with many day-to-day transactions going in and out of it reflecting what I would call 'usual life'. There is no indication of a previous compulsive spending episode. As such, when Miss M said she did not wish to be classed as vulnerable, and there was no specific instruction from her doctor stating she needed help managing her financial affairs, I do not find it unreasonable that NatWest did not apply a BMW marker on her account without her consent. Accordingly, I can see no basis to conclude that NatWest should reasonably have been aware that there was an underlying issue that warranted closer account or transaction monitoring.

Moving now to the period in question, I note that [redacted] is not listed as a company involved in gambling activity. Its Companies House listing refers to its nature of business Standard Industry Classification (SIC) as '*93290 – Other amusement and recreation activities not elsewhere classified*', and not '*92000* - '*Gambling and betting activities*'. The company is not registered with the UK Gambling Commission and there is no reference to it being regulated by this body on its website or in its terms and conditions. NatWest confirmed there had been no reports of potentially fraudulent activity on the site. I therefore see no reason that NatWest should reasonably have been expected to flag this merchant as being a risk to warrant any actions such monitoring or blocking payments made to it.

Miss M herself clearly wished to retain control of her own financial affairs, but she has highlighted how she felt that, irrespective of her vulnerability, '*multiple transactions to the same website varying in amount, should be highlighted to the client'.*

Looking at the velocity of payments made, that being the number of transactions made in a specific period of time, the activity during the 29 November and 2 December period seemed out of character from her usual account activity, in particular:

29/11/2024	69 transactions - £2,173.85
02/12/2024	51 transactions - £7,148.59 and 1 credit £777

I considered whether these transactions should have been flagged. In response, NatWest said: '*There were no declines against this merchant during this time period, our velocity rules are mostly merchant specific, if the merchant hasn't been reported as fraud before it wouldn't have been in our rule base. The transactions below scored lower with our risk model as well so had not been picked up by more generic strategies.'*

The algorithms put in place to monitor transactions serve to identify instances of transaction activity of a sufficiently high-risk nature to trigger some type of bank action. In our experience, this arises most commonly in situations involving potential fraud activity, which is not the situation here. In this case, the transaction activity did not trigger such action based on the rules applied to the monitoring of her account, and the accounts of other NatWest customers. That this may not satisfy Miss M does not make this inherently unreasonable in the circumstances. It is not the role of the bank to act as a guardian monitoring spending activity. Miss M, aware of the potential impact of such an episode, had opportunity to raise this with the bank in 2020 and at any point thereafter. As she chose not to do so, I cannot see how I can fairly conclude that the bank should be held responsible for her spending activity.

Considering the bank's lack of intervention from a perspective of fraud prevention is not relevant in this case. Putting this simply, the payments Miss M made were not fraudulent. Miss M accepts she made each one, intended to do so, and authorised each on the bank's systems. I therefore find no fault in NatWest's handling of the situation.

Finally, Miss M asserts that, had NatWest intervened and contacted her regarding her transactions, she would have realised the consequences of her actions and stopped spending. However, as I have concluded there was nothing to reasonably put the bank on notice to warrant an intervention, I do not need to turn my mind to this argument raised by Miss M.

Bringing this all together, I do not conclude that NatWest failed to intervene to stop payments that were not suspected as fraudulent and not of sufficient high risk that its monitoring rules did not raise a flag.

I appreciate this conclusion will come as a great disappointment to Miss M. I encourage her to work with her bank to help her to avoid a recurrence of such incidents in future.

Final Decision

My final decision is that I do not uphold Miss M's complaint and do not require NatWest to take any further action in this case.

Douglas Melville
Principal Ombudsman and Chief Executive

Date: 1 July 2025