



Case Study: Banking - Debit Fraud

REFUSAL TO REFUND LOSS DUE TO FRAUD ON A BANK ACCOUNT

Themes: Fraud; refusal to reimburse payments; bank transaction monitoring system

The complaint relates to the refusal by a bank to reimburse Mr A for funds that had been fraudulently removed from his account.

Mr A went on a holiday overseas. Prior to leaving he contacted his bank to provide notification that he would be abroad. Whilst on holiday, he visited a strip club and made a transaction of £74 on his debit card. According to Mr A, he was then approached by two women in the club.

The next day Mr A noticed that his debit card was not in its usual place in his wallet. He immediately contacted his bank when it was revealed that a number of high value transactions had been made the night before that he was not aware of, totalling £6,136 which had emptied his bank account. The bank immediately cancelled the debit card.

The transactions were mostly for the same amount and were made to two different clubs over a short period of time. Mr A went to the local police station overseas to make a report but was told to go to the central police station. Mr A unfortunately could no longer fund the transport to go to the central police station and therefore had to leave on his scheduled return flight without obtaining a police report from the local authorities. However, Mr A did make the local authorities aware of the suspected fraud upon his return home.

Mr A was advised by the bank that no fraud had been committed as the correct card and PIN number had been used, there was no police report, the high valued transactions were usual amounts for a strip club and his case would therefore be closed. Mr A contacted the bank repeating his explanation of the challenges he had experienced trying to obtain a police report, but the bank confirmed that they would not reimburse his loss.

Mr A was very distressed with this response and referred his complaint to CIFO. CIFO investigated and found that most of the transactions were for the exact same amount and had been debited within a very short period of time, in two different clubs where the two women worked. CIFO therefore concluded that a fraud had taken place. The bank's internal fraud detection system had also flagged one of the transactions but, because the travel notification had been applied to Mr A's account, the automated fraud alert was overridden. CIFO also noted that this was at odds with the bank's website which indicated that transactions would continue to be monitored while a customer is on holiday.

Based on the bank's demonstrated lack of effective transaction monitoring in this instance, and noting Mr A's attempt to obtain a police report and the nature of the transactions, CIFO upheld the complaint in part. The bank was directed to refund Mr A for 75% of the loss, totalling £4,693, with Mr A responsible for the remainder.