Case study: Banking

BANK DECLINED COMPENSATION FOR AN AUTHORISED PUSH PAYMENT (APP) TRANSFERS TO FRAUDSTERS

Themes: authorised push payment (APP) fraud; inadequate communications; bank declined to compensate

This complaint related to an authorised push payment (APP) fraud and the bank's refusal to compensate a customer for three payments made to a fraudulent account.

In 2018 Mr C spotted an investment opportunity and decided to transfer some money from his personal bank account to an overseas investment company. Before doing so, Mr C checked the local regulator's website to confirm the status of the company to ensure it had permission to operate. Mr C was satisfied with the checks he had made and instructed the bank to transfer three large payments of £19,874.55, £19,801.77, and £10,323.68 (in total, £50,000) to the investment company's account.

Upon receiving these instructions, Mr C's bank 'blocked' the first two payments before they were transferred and requested Mr C's confirmation that they were genuine instructions. Mr C told the bank that he had made appropriate checks about the intended recipient and confirmed the payments should be made.

It subsequently came to light that the investment opportunity was a 'scam', set up by fraudsters who had been impersonating the genuine firm and running a 'clone' operation. When Mr C became aware of this, he contacted the bank who phoned the recipient bank that same day. But the recipient account had already been emptied and Mr C's bank was unable to recover any of the transferred money.

Mr C complained to the bank, believing that it owed him a duty of care in respect of these transactions, including making sure that the recipient account was not fraudulent before the money was transferred. Mr C was also disappointed with the way the bank had communicated with him and their inability to recover his money. Overall, Mr C considered that the bank should pay some compensation to offset his losses. The bank offered compensation of £100 only for the inadequate communications Mr C had received regarding the recovery of his money. Mr C was not satisfied with this and brought his complaint to CIFO.

CIFO investigated and found that the bank had acted reasonably and appropriately by blocking the first two payments and contacting Mr C to verify the transactions. Finally, CIFO also found that the bank had acted reasonably and appropriately by allowing the payments to proceed once Mr C had reassured them that the transfers were genuine and that he had completed adequate 'due diligence' checks on the investment company prior to requesting the transfers. CIFO also found that it would not be possible for the bank to have known whether the recipient bank account was fraudulent. CIFO did not uphold the complaint.