Case study: Banking

INADEQUATELY DISCLOSED FRAUDULENT ACTIVITY IDENTIFIED BY BANK CAUSES ADDITIONAL LOSSES

Themes: Fraud; Bitcoin; bank account closure; scam.

This complaint relates to a bank's closure of a complainant's bank account when they identified a potential fraud, which resulted in further losses to the complainant.

In May 2018 Mr Y received a phone call asking if he was interested in investing some money into a 'Bitcoin' company. Mr Y agreed and made a number of payments totalling over £1 million.

In November 2018, Mr Y's bank questioned a payment and asked Mr Y to sign a 'retrospective letter' releasing the bank from any liability if the payment turned out to be fraudulent. As Mr Y did not receive any further information from his bank, he assumed there were no problems and continued to make a further two payments, which were not questioned by Mr Y's bank. In December 2018, Mr Y received a letter from his bank advising they no longer wanted to maintain Mr Y's bank account and requested Mr Y make alternative banking arrangements. Mr Y opened an account with another bank and transferred his remaining funds over to his new bank account.

In January 2019, Mr Y wanted to make a final payment to the Bitcoin company and requested his new bank authorise the payment. This was immediately queried by Mr Y's new bank, but they authorised the payment upon Mr Y's confirmation. A few days later Mr Y was visited by the local police who had been notified by his bank that Mr Y may have been a victim of fraud; unfortunately, he had been.

Mr Y made a complaint to his old bank as he believed they should have noticed the payments were out of character and done more to alert Mr Y to the potential fraud. In March 2021, after the bank's investigation they advised that Mr Y had been contacted by the bank because of concerns they had regarding the payments, but Mr Y had confirmed he was satisfied with the payments and signed a retrospective letter. Mr Y disagreed believing he had not been challenged regarding any of the payments until November 2018. Mr Y referred the complaint to CIFO.

CIFO investigated and noted that Mr Y's bank account had been closed in December 2018 due to questionable transactions, but had the bank explained this clearly to Mr Y at this point, he may have realised the seriousness of the fraud potential and could have avoided making further payments in 2019. Therefore, CIFO upheld the complaint and recommended the bank compensate Mr Y approximately £280,000 for the transactions made after they were aware of the questionable payments. CIFO can only compel a financial service provider to compensation up to its statutory limit of £150,000, but in this case Mr Y's bank voluntarily compensated Mr Y the full amount recommended by CIFO believing the decision was fair and reasonable and the right thing to do for its customer.