



## Case study: Banking

### **BANK UNABLE TO HELP COMPLAINANT WHO TRANSFERRED FUNDS WITHIN A GENUINE BITCOIN TRADING APP TO A FRAUDSTER**

Themes: Authorised push payment fraud; chargeback; Bitcoin mining scam.

This complaint relates to a bank that could not assist a complainant who lost funds when making card payments to a genuine Bitcoin trading app which were then used to invest in a fraudulent scam.

In September 2022, Mr S noticed an investment opportunity on a friend's social media post. The investment was called 'Bitcoin mining' which promised favourable cash returns within days. Mr S queried the investment on social media with his friend who reassured him it was genuine and provided him with a contact who would guide him through the investment process.

Mr S communicated with who he believed to be the contact from the Bitcoin mining investment. They requested he download an app to purchase the Bitcoin and to make an initial investment of £1,000 using this app. He had then encouraged him to make a second investment of £1,200, which he did. Mr S could see his payments within his wallet in the app and was then guided to transfer the funds from his wallet to another wallet. Mr S was then given another website address where he could view his investment along with the accumulating returns. When Mr S viewed the website where his investments were shown the next day, it stated approximately £27,000 and Mr S was advised he could now withdraw the funds but only if he provided another £2,000 for withdrawal fees. Mr S grew suspicious and at this point became aware his friend's social media account had been hacked, meaning he had been communicating with a fraudster and was a victim of an elaborate scam. Mr S reported the fraud to the police and contacted his bank.

In October 2022, after investigating, Mr S's bank stated they were unable to assist as the payments were authorised by Mr S using his debit card and were made to a genuine retail app. They suggested he contact the retailer where the payments had been transferred. Mr S referred his complaint to CIFO.

CIFO investigated the complaint and found that Mr S had been a victim of an authorised push payment fraud, but the bank had followed Mr S's payment instructions correctly, and these payments were made to a genuine retailer. CIFO noted that the fraud had occurred within the genuine retail app when Mr S transferred the funds in his wallet to the fraudster's wallet. Therefore, it was not fair or reasonable for the bank to compensate Mr S for his losses. CIFO also noted that 'chargeback', a process used to refund customers when their debit card has been used and the transaction is disputed, was not applicable in this case. Mr S knowingly authorised the payments to the genuine retail app. Therefore, CIFO did not uphold the complaint and suggested he contact the retail app from where his funds had been transferred.