

The complaint

Miss M complains that J.P. Morgan Europe Limited trading as Chase did not refund a series of payments she lost to a scam.

What happened

A few weeks prior to the scam taking place, Miss M had clicked on a link and entered some personal information about herself. As a result of this, Miss M asked for a replacement debit card from Bank 'A'. On 24 August 2023, Miss M received a phone call from an individual claiming to be from Bank A, however this was from a private number. Miss M queried this and the individual then called her back on a new number, which was almost identical to the one on the back of her new debit card; it was out by one digit but she did not realise this at the time.

The individual told her that her account was at risk and she needed to transfer her funds to a safe account. She followed his instruction and was then told to take out an overdraft with Bank A so she would still have access to money. They then told her that her Chase account was at risk and she should transfer the overdraft amount of £1,400 to the Chase account. She did so, and was then told to select 'approve' on the Chase app and did not realise that she was approving payments to leave her account. These were two card payments of £1,400 and £2,000 from her Chase account which she lost as part of the scam.

When she realised she had been the victim of a scam, Miss M contacted Chase to raise a claim. They initially told her over the phone that she would receive a full refund of the £3,400 she lost. However, they later amended this and offered a 50% reduction in the redress, to account for Miss M's contribution to the loss, totalling £1,700. To apologise for the initial incorrect information, they offered her a further £150 compensation. Miss M did not think this was a fair outcome and referred the complaint to our service.

Our Investigator looked into the complaint and agreed with Chase's final offer. They felt that the initial payment of £1,400 did not look unusual when compared with the genuine account activity but the second warranted intervention from Chase prior to it being processed. And they thought an intervention would most likely have revealed the scam, so the second payment should be refunded.

However, they also felt there were warning signs Miss M could have picked up on that showed this was a scam, so they felt a reduction in the redress of 50% was fair. As this was less than what Miss M had already received, they didn't recommend an increase in the redress. The Investigator said the compensation of £150 was fair and should be paid to Miss M if it hadn't been already.

Miss M disagreed with the outcome. She felt the business the payments were going to, a money exchange service, should have been a red flag to Chase that something was not right.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Broadly speaking, the starting position in law is that an account provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account. And a customer will then be responsible for the transactions that they have authorised.

Miss M has said she was not fully aware that she was clicking in the Chase app to authorise the payments. However, this screen would have clearly set out the name of the merchant, the amount of the payment and had the title '*is this payment OK?*'. Miss M would have then had to select '*Yes, make the payment*'. And this is the case for both payments that left the Chase account. With this in mind, even taking into account her mental state, I think it's more likely she would have been aware that she was authorising payments to leave her account.

While I recognise that Miss M didn't intend the money to go to scammers, the starting position in law is that Chase was obliged to follow her instruction and process the payments. Because of this, Miss M is not automatically entitled to a refund.

The regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams. So, I've also thought about whether Chase did enough to try to keep Miss M's account safe.

I've looked over the statements for Miss M's account. Having done so, I just don't think the initial payment of £1,400 is significantly unusual enough to have warranted additional checks from Chase before it was processed. The value was not significantly different to other payments made on the account in the months prior. So, I don't think Chase made an error when it processed the payment without asking further questions.

However, the second payment of £2,000 was made in quick succession to the first, and the increasing value could be an indication that Miss M was at risk of financial harm. So, I agree that Chase could have intervened prior to this payment leaving the account. And due to the type of scam involved, I think it's more likely that a conversation with Miss M would have revealed the scam and stopped the second payment from leaving her account. So, I agree that there needs to be a refund of the £2,000 payment.

I've finally considered whether or not Miss M should reasonably bear some responsibility for the losses as a result of any negligence in her actions and if it is therefore reasonable for me to make a reduction in the award based on this. In doing so, I've considered whether she has acted as a reasonable person would to protect herself against the loss she suffered. The test is objective but needs to take account of the relevant circumstances.

I don't think it is unreasonable that Miss M did not see there was one digit different between the one the scammer called her on and the one on the back of her debit card with Bank A. So, while she was initially wary, I think it was reasonable that she initially believed she was

speaking with Bank A. While I don't think it necessarily follows that Bank A would have information about her Chase account, as she still genuinely believed she was speaking with Bank A I think this could also be seen as reasonable.

However, I don't think it was reasonable that Miss M followed the instruction to take out a significant overdraft, as she already thought her account was at risk and this was adding further funds that could be at risk. And I also think Miss M should reasonably have questioned why she needed to transfer the newly borrowed overdraft balance to her Chase account which she had also been told was at risk. Overall, I think there were a few too many suspicious requests which meant the story she had been given did not make sense. And on balance, I think Miss M should bear some responsibility for the loss she suffered. And I think a reduction in the recommended redress of 50% is reasonable in the circumstances, which would bring the £2,000 down to £1,000.

As Chase has already refunded Miss M with £1,700, there is nothing left for them to refund in relation to the scam claim. I note they offered her £150 for the poor customer service when they incorrectly told her she would receive a full refund. I can understand this would have been very upsetting at the time and I agree that the £150 compensation offered is fair in the circumstances. I understand this was paid to Miss M on 27 September 2023.

My final decision

I do not instruct J.P. Morgan Europe Limited trading as Chase to take any further action to remedy Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 24 April 2024.

Rebecca Norris
Ombudsman