

The complaint

Mr H complains that Lloyds Bank PLC didn't contact him to verify three fraudulent transactions.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

On 23 June 2023 Mr H complained to Lloyds about three fraudulent transactions which debited his credit card account on 18 June 2023, 20 June 2023, and 20 June 2023. Lloyds refunded the transactions to his account between 22 June 2023 and 23 June 2023, but Mr H wasn't satisfied because he felt the fraud could have been avoided if Lloyds had contacted him to verify the transactions.

In his complaint to Lloyds, Mr H said he was unhappy that fraudsters were able to debit the funds from his account and that it ought to have contacted him to verify the transactions. He said he wanted Lloyds to change its systems so the account couldn't be debited in the future without secure text verification.

Lloyds responded to the complaint on 28 June 2023. It explained its fraud procedures are in place to protect customers and it acknowledged his concern around how the fraudsters could have obtained his account details. It said it is unable to identify how fraudsters get hold of card information explaining that there are many different methods and techniques as well as the potential of hacking a merchant that previously held card information. It said it monitors accounts and contacts customers when things look out of character and while it can't always identify fraudulent transactions, it can guarantee securing the card and investigating with a view to refunding the transactions.

Mr H wasn't satisfied and so he complained to this service. He explained that he had lost confidence in Lloyds' security protection and that it failed to use its Strong Customer Authentication ("SCA") system to verify the fraudulent transactions. He said he wanted Lloyds to explain why it didn't use the SCA system and to explain how it proposes to prevent similar fraud in the future.

Lloyds further commented that its fraud detection systems are robust and meet industry standards. It assured Mr H that it continually monitors accounts for potentially fraudulent activity but it's not always possible to identify fraud, or how fraudsters have obtained card details.

Our investigator didn't think the complaint should be upheld. She was satisfied Lloyds had credited the fraudulent transactions to Mr H's account immediately and that it had explained there was no way to identify how fraudsters got his card information. She noted Mr H had made an undisputed payment of £149.99 on 9 June 2023, so she didn't think the fraudulent transactions were suspicious or unusual when compared to the usual spending on the account. She explained that banks have obligations to be alert to instances of fraud but

specific details of how those systems work can't be publicly shared as such information would be useful to potential fraudsters.

Mr H has asked for his complaint to be reviewed by an Ombudsman. He has argued that on 9 June 2023, he was paying an established payee which was easily identified on his credit card statement.

He believes our investigator's comments around it not being possible to share details of how banks fraud systems operate support the status quo of how banks treat their customers and he has commented that she didn't investigate why Lloyds didn't use the SCA system to check the two new payees. He disputes that Lloyds credited the disputed transactions to his account immediately and he maintains the fraudulent transactions could have been avoided if Lloyds had used its SCA system.

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.

Having done so, I've reached the same conclusion as our investigator. And for largely the same reasons. I know Mr H feels strongly about this complaint and this will come as a disappointment to him, so I'll explain why.

When considering what is fair and reasonable, 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 have been good industry practice at the relevant time.

There's no dispute that three fraudulent transactions were debited from Mr H's Lloyds credit card account between 18 June 2023 and 20 June 2023 and that those transactions were refunded to Mr H when he reported them. Our investigator commented that Lloyds refunded the transactions immediately, but Mr H has pointed out that it took several days for Lloyds to reimburse him. The refunds were processed between 22 June 2023 and 23 June 2023 and so I accept the refunds didn't happen immediately. But I'm satisfied Lloyds accepted the transactions were fraudulent and that it refunded the payments within a reasonable time.

I understand Mr H is concerned about how fraudsters had access to his credit card details, but Lloyds has explained that it's not always possible for banks to identify how fraudulent transactions have happened, and I'm satisfied that's reasonable.

The main crux of Mr H's complaint is that he is unhappy that fraudsters were able to debit funds from his account and he feels this could have been avoided if Lloyds had contacted him either by phone or text message to verify the payments before they were processed.

I understand he feels strongly that in not contacting him to verify the transactions, Lloyds failed in its duty to protect him from financial harm, but Lloyds has explained that it monitors accounts and contacts customers when things look out of character and I'm satisfied that explanation is reasonable. Lloyds has accepted the three transactions were fraudulent and refunded them to Mr H's account, so I don't need to look at the way the payments were made or investigate why it didn't use the SCA system to check the two new payees.

Mr H has said he wants Lloyds to change its systems so that his account can't be debited without SCA in the future and that details of how banks fraud systems operate should be questioned. My role here is to look at what happened in Mr H's complaint and not to review Lloyds's processes generally. I don't dispute that the fraudulent transactions might have been avoided by Lloyds using its SCA system but can't tell Lloyds how to operate Mr H's

account and it would be the Financial Conduct Authority to investigate Lloyds' business practices and procedures more generally.

I know Mr H has strong feelings about what happened and will be disappointed with my conclusions here but for the reasons I've outline, I can't fairly ask Lloyds to do anything further to resolve this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 January 2024.

Carolyn Bonnell
Ombudsman