

The complaint

Mr K has complained that Lloyds Bank PLC won't refund him for transactions he says he didn't make or authorise totalling just over £30,000.

What happened

Mr K has two accounts with Lloyds – a savings account and a current account.

Between 30 March 2023 and 28 April 2023, a series of card transactions were made to a social media platform, which I will call T. The transactions were funded by multiple transfers using Lloyds mobile banking app, from Mr K's savings account into his current account.

On 28 April 2023, Mr K told Lloyds that he hadn't made any of the payments and had discovered the payments after checking his account. He says he noticed someone had been transferring funds from his savings account into his current account and then making payments to T. He told Lloyds that he had no knowledge of T. He also told Lloyds that he was still in possession of his bank card, which he kept in his wallet, and no one has access to it. Mr K said that he hadn't disclosed his online banking details, or security credentials needed to access his bank accounts. So, he believes someone had managed to get hold of all of his account information to make the transfers and payments.

Lloyds looked into Mr K's fraud claim and decided not to refund the disputed transactions. In summary the bank said:

- The IP address used to make the disputed transactions matched undisputed transactions Mr K had made
- The transactions were authenticated via a notification in the mobile banking app that was confirmed using Mr K's registered mobile banking device and usual IP address
- The transactions made to T were done by manually keying in Mr K's card details including the three-digit CVV number
- Mr K's registered mobile banking device was used to transfer funds from his savings account to his current account
- Mr K denied any knowledge of T. But on 30 March 2023, Lloyds received a call from Mr K, using the same mobile number he'd registered with the bank, after Lloyds had blocked another online payment Mr K had tried to make. During the call, Lloyds asked Mr K some security questions about the activity on his account. Lloyds asked him if he had made any payments to T. Mr K confirmed that he had and that he had made a payment for £214 on 30 March 2023.
- Following this Lloyds unblocked Mr K's account and sent further texts to Mr K's mobile number to authorise additional payments to T.

Mr K wasn't happy with the bank's response. So, he brought his complaint to our service. He maintained he never made the transactions to T or the transfers from his savings account. He said that someone else has managed to obtain his account information to carry out all

the transactions. He said that he had listened to a recording of the call on 30 March 2023, and that it wasn't him on the call because whoever was speaking to the bank failed a security question. So, he wants Lloyds to refund him the transactions because he is a victim of fraud.

One of our investigator's looked into Mr K's complaint. She asked Mr K some more questions about what had happened. Mr K maintained that he never made the transactions and that someone must have hacked his account. But he wasn't able to provide any evidence to support this.

The investigator didn't uphold Mr K's complaint. She said that Mr K's registered mobile phone had been used to access online banking and make the transfers. She said there was no plausible explanation for how someone would be able to access to Mr K's bank card which was used to make the payments to T. She also said that during a call with Lloyds on 30 March 2023, which had been made from Mr K's mobile number, Mr K had confirmed he'd made a payment to T, which contradicted what he'd said about not knowing anything about T. So, based on everything, she said Mr K had most likely authorised the disputed transactions.

Mr K disagreed with what the investigator said. He said he didn't carry out the transactions and Lloyds should have been checking his account and stopped the transactions from being made. He said it wasn't him on the call, it was a fraudster because they got security questions Lloyds asked wrong. So, Lloyds should refund the transactions.

As no agreement could be reached the matter has come to me to decide.

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.

There are regulations which govern disputed transactions. Generally speaking, if the evidence suggests its more likely than not that Mr K authorised the payments, Lloyds is entitled to hold him liable for the disputed transactions. The relevant regulations, to this effect, are the Payment Services Regulations 2017 (the PSRs 2017).

The PSRs 2017 say a payment transaction is regarded as authorised if the payer has given consent to the execution of the payment transaction. If a payment service user (customer) denied having authorised an executed payment – the payment service provider (in this case Lloyds) has to prove the payment transaction was authenticated. And if it is deemed that a payment transaction hasn't been consented to, it isn't authorised.

PSR 2017 goes onto say a payment service provider is required to refund the amount if an unauthorised transaction is made to the payer.

Mr K says he didn't consent to or authorise the transfers between his accounts and the subsequent payments to T. He is seeking a refund of the payments made from his account. Lloyds say it considers the evidence suggests the transfers and payments were made by Mr K, and he is therefore liable for them. So, I need to think about whether the evidence I have suggests the payments were authenticated and whether it is more likely than not Mr K, or somebody with his knowledge or authority, carried out the transfers and payments Mr K is now disputing.

Having looked at all the evidence, which includes the technical evidence provided by Lloyds, I don't think it's unreasonable for Lloyds to have concluded that Mr K authorised the transactions. I say this because:

- From looking at the technical data provided by Lloyds, I can see that the disputed transfers from Mr K's savings account were made using Mr K's registered mobile device logging into his mobile banking app. There were no failed attempts to log into the online app either before or after the disputed transactions. Logging into the online banking app requires customers to complete biometric security which customers create themselves when registering for online banking. So, I'm satisfied from Lloyds technical evidence that Mr K's registered mobile device was used when the disputed transfers were made, and that the transfers were authenticated as Mr K's correct security details were entered to access the online banking app.
- Mr K says he hasn't disclosed his online banking app security credentials to anyone. He has also said that he hadn't lost his mobile phone and it hadn't been stolen. So, there's no reasonable explanation for how an unknown third party would be able to gain access to Mr K's online banking via his mobile phone to carry out the disputed transactions from his savings account into his current account.
- The IP address used to make most of the disputed transactions was one which had consistently been used for previous logins before the disputed transactions – and which continued to be used for logins after the disputed transactions to make undisputed transactions. In short, the transfers were made from Mr K's mobile device, using his usual internet connection with his security details being required to access the online banking app and make the transfers.
- The disputed transfers from Mr K's savings account took place over a period of around a month at various times. This would mean a third party would have had to take and replace Mr K's mobile phone without being noticed over an extended period and at different times. I don't think that an unknown third party would risk taking Mr K's mobile phone, replacing it, taking it again, completing further transactions and then returning it. This back and forth would've created an unnecessary risk of alerting Mr K that fraudulent transactions were taking place. It's more typical for the account to be used as quickly and for as much as possible. But this didn't happen.
- Each of the disputed transactions to T went through an additional layer of security to authenticate the payments. In this case a text message was sent to Mr K's registered mobile phone to confirm the payment as genuine. Therefore, there is no evidence of any other third-party device access or registrations.
- The disputed payments to T were made using Mr K's genuine bank card details being manually entered, including the three digit CVV. Mr K said that he was still in possession of his card, which he kept in his wallet. Mr K's card details aren't visible when logging into his mobile banking app, which mean whoever made the transactions needed to be aware of these details or in physical possession of the card. So, there's no plausible explanation for how an unknown third party would gain access to Mr K's card details without his knowledge or consent. This means, I can't reasonably conclude that an unknown party to Mr K made the transactions.

- The disputed card transactions were made to a social media company, T. I am mindful that Mr K has said he has no knowledge of T. But this isn't consistent with the phone call he made to Lloyds on 30 March 2023. I've listened to a recording of this call. I've also listened to a recording of the call made to our service when he made his complaint. Having done so I'm satisfied that it was Mr K who called Lloyds on 30 March 2023, and not as Mr K has suggested a fraudster. During the call with Lloyds, amongst other things, the bank asked him some security questions about the activity on his account. Mr K confirmed that he had made a payment to T for £214 on that day. So, I'm not persuaded by Mr K's version of events, that he knows nothing about T, when I take into account the evidence of this phone call.
- The disputed transactions reduced Mr K's account balance and I can see that he logged into his mobile banking app and checked his balance during this period. I think he would've noticed the transactions much sooner than he's said he did as his account balance was reducing. So, I think if he hadn't authorised them, he would've raised this with the bank at the time. But he didn't alert Lloyds until after the *last* disputed transaction was made.
- I also find it quite unusual that a fraudster would go to the trouble of accessing Mr K's savings account and move money from it over a number of days, to another of his accounts in order to then make a number of payments to T. Usually a fraudster will try and maximise the usage of an account in order to get the greatest benefit from the account before the account holder notices their funds are missing and the card is cancelled. But this didn't happen.

I recognise that Mr K has said that he didn't authorise the payments. But based on the evidence I've looked at it's hard for me to see how an unknown fraudulent third party could have obtained all of Mr K's security information, bank card, mobile phone and be in Mr K's normal location with all of these while making the transfers and payments. When I weigh everything up, on balance, the most likely explanation here is that Mr K made the disputed transactions himself. So, in the circumstances it wouldn't be fair for me to ask Lloyds to refund Mr K the disputed transactions.

Finally, Mr K says that Lloyds should have spotted the transactions and stopped them from going through. So, the bank is at fault. But the transactions were done after logging in using Mr K's usual IP address, using his banking app login, via his registered mobile phone, and using details taken from his genuine card. Each transaction was also verified by sending a text message to Mr K's mobile phone number. So, I don't consider there were any obvious reasons for Lloyds to suspect these transactions might not be genuine. And I can't decide he didn't authorise them just because Lloyds didn't block the payments. I have to look at the evidence, which in my view connects Mr K to the disputed transactions. And I've set this out above.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 1 January 2024.

Sharon Kerrison
Ombudsman