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'Somebody stole £16,000 from my account but Barclays won't refund me'

Company sent credit card to the wrong address but still refuses to offer recompense, finds Laura Whateley

Barclaycard is demanding that a customer pays for almost £16,000 of fraudulent spending on her account despite admitting that it sent her credit card to the wrong address, Times Money can reveal.

In a case that a leading fraud expert described as one of the most shocking he had ever seen, the customer is being chased by debt collectors even though she has proof that she could not have made the disputed transactions.

The fraud began when someone posing as Eve Russell, 55, a Times Money reader, called Barclaycard saying that she had lost her credit card and needed a new one. Barclaycard delivered a new card to an address that it admits was not Mrs Russell's but will not say where. The company also says that it has "lost" the recording of this conversation so
a new one. Barclays then issued a new card to an address that they said was not Mrs Russell’s but which I have never seen. The company also says that it has “lost” the recording of this conversation so as not to prove the existed. Barclays then refused to accept that the transactions on the card were fraudulent, because they were made using Mrs Russell’s correct four-digit PIN.

Barclays’ refusal to refund Mrs Russell directly contradicts Financial Services Authority rules, which state that banks and credit-card companies are not allowed to use the fact that the correct PIN was used as sufficient evidence to deny a refund for disputed transactions. Mrs Russell has no idea how someone could have known her PIN and insists that she has never disclosed it to anyone.

Under the Consumer Credit Act, even if Mrs Russell had been negligent with her PIN, she is not legally responsible for credit-card transactions that she did not authorise.

Mrs Russell’s case also demonstrates that the Financial Ombudsman Service continues to misinterpret the law on fraud, despite promises that it will challenge banks’ assumptions that chip-and-PIN is infallible. Mrs Russell took her case to the ombudsman service last year but the adjudicator examining her case sided with Barclays.

The adjudicator stated that because when she made the transactions she was aware of Mrs Russell’s PIN, and that when the new credit card was sent out the PIN wasn’t changed, she “does not consider it most likely that the transaction were carried out by an unknown fraudster.” She added: “Because whoever received the card was able to carry out the transactions (as they were aware of the PIN), I cannot conclude that the card was not later returned to you, or someone who had authorised to use the card by disclosing the PIN to them.” Yet Barclays has supplied no evidence to support this theory.

Ross Anderson, a professor of security engineering at the University of Cambridge, and one of the country’s leading independent experts on card fraud, says that he is shocked by the ombudsman’s decision. He says: “Despite persuading the Treasury that it is a fit and proper independent resolution service, the adjudicator’s treatment of Mrs Russell’s case shows the ombudsman service hasn’t changed its spots. It continues to be under the wing of the banking industry, which maintain that chip-and-PIN systems cannot fail.”

Mrs Russell says: “I am 55 years of age and have had a Barclaycard for over 20 years — which I have used very few times. In recent years I’ve used it only once a month for a £50 mobile bill; once on holiday in the USA in 2009 and once at a Mercedes garage. And yet Barclays did not contact me when my card was used for £15,000 of highly suspicious transactions over three weeks. This fraudulent spending took me £5,000 over my credit card’s limit of £10,000 but even then Barclays didn’t contact me. I am being treated as a criminal. I have had almost a year of being in this awful situation while waiting for the ombudsman’s judgment. I’m now at a loss as to what I can do other than pay for something for which I am innocent.”

Mrs Russell discovered that a new card had been taken out in her name only when she noticed a leaflet sent to her from Barclays quoting a different credit card number. She was then sent a bill for more than £15,000. The bill included charges for going over her credit limit, something that Barclays did not flag, even though Mrs Russell has never exceeded her credit limit before.

The transactions on the card were all in Central London in the first three weeks of July 2010. Mrs Russell lives in Potters Bar, Hertfordshire, and though she works in the City, at an insurance company in Fenchurch Street, she has written testament from her boss stating that he has documentary proof that she was at work during all the periods of spending on the card.

The bill includes cash machine withdrawals in banks across London averaging £500 a time, plus a £12 cash handling charge, every day between July 5 and July 16. They also include several transactions of hundreds of pounds a day in shops such as Next, Sportscap and Foot Locker, and more than £3,000 spent in jewellers.

Professor Anderson believes that Mrs Russell’s case bears all the hallmarks of insider fraud. He says: “I have been looking at disputed fraud cases for 20 years and have come across a number of cases of fraud by bank employees, all of which fit into a pattern. The pattern is exactly what you find in Mrs Russell’s case. For example, her card has a very high credit limit but is hardly used — attractive to a fraudster because there’s a lot of money to steal. She does not use electronic banking but relies on monthly paper statements, so early detection of the fraud was less likely. The spending was all in Central London, where Barclays is based, rather than where Mrs Russell lives.”

“Barclaycard does not have a recording of the person who ordered the card. This might be because the fraudster tampered with the recording of the PIN or the phone call never happened. In insider fraud there is often a suspicious telltale sign to show tampering with records, or the exploitation of vulnerabilities in the bank’s internal record-keeping, known to insiders. In this case there was a mysterious London address linked to Mrs Russell’s credit reference agency files. Studying this address on Google Street View shows it is a building site. A good drop-off address where a credit card could be sent without it being intercepted by a homeowner before the fraudster gets it.”

He adds: “In every case of insider fraud I’ve seen the victims are people who are less likely to be taken seriously by the bank’s investigators. They are never middle-class, high-spending men. Victims are invariably women, minors or elderly people.”

Times Money has reported cases of insider fraud in the past. Last year we highlighted Emma Woolf’s battle with Santander, which refused to refund her £10,000 drained from her Abbey bank account. The refusal was based on the Continued on page 50
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- fact that the fraudster knew Ms Woolf's PIN. Santander suggested that it must have been Ms Woolf's fiancé who stole the money, because he could have known her PIN. The bank relented and refunded Ms Woolf only when a member of its staff was arrested for fraud and Ms Woolf's personal details were found at her home. The refund, however, was contingent on her signing a confidentiality agreement that she would not speak to the press. Her fiancé told us the story.

Barclaycard refused to comment on suggestions that Mrs Russell could be a victim of insider fraud.

The Ombudsman Service says that the adjudicator who found in favour of the complainant was simply initiating proceedings to gather more evidence from the ombudsman. Mrs Russell and Barclays for an "ongoing" investigation.

However, Mrs Russell says she felt that the letter from the adjudicator indicated that she had lost her case. The adjudicator writes, for example: "I am unable to recommend that your complaint should be upheld. I am not questioning your integrity but, in circumstances such as yours, we have to make a decision regarding what is most likely to have happened on the balance of probabilities, and ultimately we have to make a judgment as to whether the outcome is justified by the means in your case, based on the available evidence."

Barclaycard declined to answer any of Times Money's questions about the case, including why it had not kept a record of someone ordering a credit card in Mrs Russell's name. Why the card was not delivered to the correct address, where the card was successfully delivered and whether it did not flag up such an unusual spending pattern on Mrs Russell's account. Instead, a spokesman said: "We have thoroughly investigated Mrs Russell's complaint and it is now being reviewed by the Financial Services Ombudsman, who, at the present time, is not in a position to comment." As this review is ongoing it would be inappropriate for us to comment any further on this specific case. However, we take all instances of fraud very seriously and are constantly taking steps to ensure that we keep our cardholders and us protected."