



Customers count the cost of Wonga delays
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Money

'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



MATT LLOYD FOR THE TIMES

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 cannot prove who made the call. Barclaycard still refuses to accept that the transactions on the card were fraudulent, because they were made using Mrs Russell's correct four-digit PIN.

Barclaycard's 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' assumption 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 Barclaycard.

The adjudicator stated that because whoever made the transactions 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 transactions 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 that you had authorised to use the card by disclosing the PIN to them." Yet Barclaycard 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



Barclaycard will not accept that the transactions that Eve Russell did not authorise from her account were fraudulent — she says she is being treated as a criminal

fit and proper independent resolution service, the adjudicator's treatment of Eve's case shows the ombudsman service hasn't changed its spots. It continues to be under the wing of the banking industry, who maintain that chip-and-PIN systems cannot fail."

Mrs Russell says: "I am 55 years of age

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I have had almost a year of being in this awful situation

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 Barclaycard 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 Barclaycard 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 Barclaycard quoted 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 a 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 bills include 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, Sportec and Foot Locker, and more than £3,000 spent in jewellery shops.

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 Eve 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 Barclaycard is based, rather than where Eve lives.

"Barclaycard does not have a recording of the person who ordered the card. This might be because the fraudster

tampered with the recording 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 to 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, minorities 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

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having earlier in the day fallen beneath the 5,000 mark.

projects have proven track records. Risk rating 8/10

a solid long-term track record and is an attractive way to gain exposure to the region."

Homeowners

The proportion of northern borrowers more likely to be in mortgage arrears in the first quarter of 2011 than southern borrowers 35 per cent



House prices in England and Wales have fallen for the second month running and are now lower than a year ago, according to research by Rightmove, the property website. Asking prices dropped 2.1 per cent (or £5,054), to an average of £231,543, in August. This comes after a drop of 1.6 per cent last month.

Coventry Intermediaries five-year fixed rate

Plus points Two products available at 3.49 per cent and 3.60 per cent, with either £800 arrangement fee for the lower rate, or no arrangement fee for higher rate.
Drawbacks Available only up to 65 per cent LTV
Verdict Thumbs up.

Buy-to-let

Skipton BS two-year variable rate at 3.24 per cent, reverting to 4.95 per cent after two years. Up to 60 per cent LTV
First-time buyer Chelsea BS, two-year fixed rate at 4.39 per cent with up to 90 per cent LTV.

Mortgage fees have shot up, according to Moneyfacts. So if you are enticed by one of the cheap fixed-rate mortgages available, ensure that you take the fees into consideration when comparing products.

129%
Average rise in house prices in Bangor, Gwynedd, since 2001

In focus

TalkTalk

Key indicator

Number of customers who received refunds from TalkTalk after Ofcom stepped in 65,000

£2.5m
Sum paid out in refunds by TalkTalk last year

News

TalkTalk has been fined £3 million by the telecoms watchdog for charging tens of thousands of customers for services that they did not receive. Ofcom said that it was "a serious breach of the rules" and should act as a warning to the rest of the market.

Penalty

The fine could have been even higher if the company had not taken steps to rectify the issues. TalkTalk and Tiscali, its UK subsidiary, were each fined £1.5 million, which the communications provider considered to be a "disproportionate penalty".

What else?

Ofcom opened the investigation in July last year; it found 62,000 instances of people wrongly billed after closing their accounts. After paying refunds, 3,000 customers were still incorrectly billed between December and March.

Top tip

The broadband comparison website broadbandchoices.co.uk recommends doing a postcode search before choosing a provider because coverage of some areas will vary in quality and speed between companies.



Fight to recover missing £16,000

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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 Barclaycard was simply initiating proceedings to garner more evidence from Mrs Russell and Barclaycard 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, I can-

not conclude that Barclaycard must reimburse the cost of the disputed transactions. I appreciate that this will come as a disappointment to you. I know that this is not the outcome you were hoping for."

A spokesman for the ombudsman says that the adjudicator "could certainly have been clearer" that her decision is not final. Mrs Russell has appealed against the decision. The spokesman added: "The key aspect is whether Mrs Russell authorised the transactions; it's clear that someone was able to answer the security questions, got hold of the newly issued card and knew the PIN, which had not been changed since November 2006. We've received some conflicting information from Barclays that we don't think makes sense and we're keen to get to the bottom of. The more questions we ask, the more the information from both sides' conflicts."

Barclaycard declined to answer any of *Times Money's* questions about the case, including why it had not kept a recording 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 why it did not flag up such an unusual spending pattern on Mrs Russell's account. Instead, a spokeswoman said: "We have thoroughly investigated Mrs Russell's complaint and it is now being reviewed by the Financial Services Ombudsman, who, at a first-stage adjudication, found in our favour. 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."

we are having to be the frontline service because the Treasury has created a vacuum by not communicating anything to the million policyholders acknowledged as being eligible for compensation"

Paul Braithwaite, general secretary of the Equitable Members Action Group, said that anxious policyholders of Equitable Life were asking about recompense after figures showed that only 321 payments had been made from the compensation scheme for those who saw the value of their savings plummet after the mutual collapsed

"With so much uncertainty and no guarantees, consumers must continue to help themselves"

Ann Robinson, director of consumer policy at uSwitch.com, warns energy customers to move to a competitive online dual-fuel plan and pay by direct debit as npower became the fifth supplier to announce a price rise

"I'm a man who likes to pay his debts. I have travelled 800 miles to try to find Patrick. It is worth every penny if I find him"

Sebastian Steinzen, from Germany, travelled 880 miles and spent more than £1,000 to try to find a British man to whom he owes a pint for a bet lost over a round of golf. So far he has been unable to find Patrick

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