

Tesco Bank Halts Online Trades as Money Taken From Accounts (1)

(Bloomberg) -- Tesco Bank, the lending arm of the U.K.'s biggest grocer, said it halted online transactions after about 20,000 customers had money fraudulently taken from their accounts.

About 40,000 of the bank's 136,000 checking account holders experienced suspicious transactions over the weekend, Tesco Bank Chief Executive Officer Benny Higgins told BBC Radio 4's Today program. About half of those had money taken from their account, he said. The problem has only affected checking accounts, a representative for the bank said.

Some of the world's biggest financial institutions, including JPMorgan Chase & Co., HSBC Holdings Plc and the Federal Reserve Bank of New York, have all been cyberjacked in some way in the past couple of years. In the second quarter of this year, there was a 50 percent jump in activity by cybercriminals injecting malware programs into financial companies worldwide from the same period in 2015, according to Kaspersky Lab, a global cybersecurity company.

"Banking fraud is unfortunately very prevalent, and has been for a while," said Tom Kirchmaier, researcher at the financial markets group at the London School of Economics. "The industry is not very forthcoming with sharing data with the police, and so we only hear about the worst cases, and Tesco's can be considered one such instance."

'Unnecessarily Exposed'

The incident sparked criticism from lawmaker Andrew Tyrie, head of the U.K. parliament's Treasury Select Committee, who said he will write to Higgins for an explanation.

"Millions of customers remain unnecessarily exposed to the risks of IT failures, including delays in paying bills and an inability to access their own money," Tyrie said in a e-mailed statement. "Making sure that banks improve their IT systems, and their resilience to cybercrime, is also a responsibility of regulators. We will raise this issue with them again shortly. We can't carry on like this."

Tesco customers complained on the bank's website of seeing amounts varying from 20 pounds (\$24.80) to 600 pounds missing from their accounts. Tesco Bank has more than 7 million customer accounts in total across a range of products like insurance and mortgages.

The U.K. Financial Conduct Authority is aware of the matter and working with the bank on it, a spokeswoman said.

No Risk

Tesco Bank only started offering current accounts, the British term for checking accounts, in 2014. The declining fortunes of Tesco's domestic supermarket business means the bank represented about 17 percent of group operating profit in the last financial year.

Customers can still use their account to withdraw money from cash machines or to pay for goods at a retailer, Higgins said. Any financial loss will be borne by the bank and customers are not at financial risk, he said.

The crime was committed at a time "when banks are typically understaffed and will respond more slowly," Cliff Moyce, global head of financial services at consultant DataArt, said by e-mail. "Automated fraud detection systems appear to have worked well, but a lack of people at desks will not have helped."

Tesco shares fell 1.2 percent to 200.05 at 3:04 p.m. in London.

(Updates with lawmaker's comments starting in fifth paragraph.)

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