



Quick cautionary tales for a better practice

Episode 76

When verification fails

The legal landscape around cybersecurity and liability for cyber fraud is evolving. Every party to a transaction must have strong safeguards in place to manage cyber risk regardless of who may be ultimately responsible for a breach.

In *Mobius v Inoteq*, Mobius agreed to perform electrical work for Inoteq and issued invoices after completing the work. Before payment could be made, a fraudster gained access to Mobius' email account and sent emails to Inoteq advising of a change in bank details. Inoteq tried to confirm the change with Mobius by phone, but poor reception left the outcome of the call unclear. Instead of making another call, Inoteq responded by email, unknowingly communicating with the fraudster. The payment was then made to the fraudster's account, and the funds were transferred overseas.

The court found Inoteq's attempts to verify the change in bank details inadequate and held it responsible for the loss. However, the court also noted that Mobius' cyber security measures were also lacking and that ultimately both parties in a transaction must take reasonable steps to prevent the risk of cyber fraud.

Every participant in a transaction must take proactive steps to protect against evolving cyber threats. Poor verification processes and weak cyber security can expose both sides to financial loss and legal consequences. Strengthening internal controls and adopting best practices is essential to reduce exposure and maintain trust.

Legal practices should take appropriate measures to safeguard themselves and their clients against cyber fraud including:

- Verifying bank details by phone before transferring funds. Use the phone number on file and not the phone number in an email.
- If the details cannot be verified by phone at the time, wait and try again until this step is satisfied.
- Treat every notification of a change in bank details via email as suspicious. Check the phone number you have on file and use this to call and verify any changes.
- Ensure that robust cyber security measures are in place across all systems, particularly around monetary transactions.

I'm Malcolm Heath

[Mobius Group Pty Ltd v Inoteq Pty Ltd \[2024\] WADC 114](#)