

The complaint

Ms L complains that Lloyds Bank PLC won't reimburse her the money she lost through lending money to an acquaintance in December 2020.

What happened

In December 2020, Ms L visited a Lloyds branch and made a payment of just over £12,000. The payment was sent to an account in South Africa and Ms L intended the payment as a loan to assist an acquaintance who was in financial difficulties. I will refer to that acquaintance as D.

Ms L explains that she'd previously met D, albeit only briefly and many years prior. She'd reached out to D through messages, intending initially to make contact with D's sister (with whom Ms L had resided in South Africa).

Ms L then became involved in a long-standing conversation with D through various messaging platforms. She also spoke to him by phone. She says that in December 2020, D told her he was in financial difficulties and faced the loss of his family home.

Ms L offered to help by lending him some money. They agreed this would be a loan for a period of six months.

However, after the loan had been made, D disclosed to Ms L that his business was struggling due to the pandemic and he wasn't certain when he would be able to repay the loan. He hadn't mentioned this before, having previously told Ms L his business was doing well. Ms L started to have concerns he might not be in a position to repay her as had been agreed. Ms L contacted other members of D's family, but they were unable to assist.

Ms L remained in contact with D for nearly two years, but the loan wasn't repaid. Ultimately, D became abusive to her, and Ms L began to believe that D had never intended to repay her and had perhaps defrauded her. She reported the matter to Action Fraud and then to Lloyds in 2022.

Lloyds discussed the situation with Ms L. But it said it wasn't liable to reimburse Ms L. It had followed her instructions in sending the payment she'd requested it to make. Because this had been an international payment it wasn't covered by the voluntary reimbursement code (the CRM Code).

Lloyds contacted the beneficiary bank in South Africa but was told that the funds had already been fully utilised and that the other bank suggested Ms L should raise the matter with the account holder directly. Lloyds told Ms L that this appeared to be a civil dispute rather than a scam.

Unhappy with this outcome Ms L referred her complaint to this service for an impartial review.

Our Investigator looked into the complaint. He noted Ms L's comments about her serious

health concerns, and how this had affected her at the relevant time including impacting her judgement (I will not detail these circumstances here, but I have taken this evidence into consideration).

However, the Investigator didn't think Lloyds had treated Ms L unfairly or that it needed to refund her the payment. He thought it was more likely this was a civil dispute rather than a scam as the bank had said. He thought this was most likely a loan that hadn't been repaid. It wasn't consistent with a given scam that D had continued to correspond with Ms L for nearly two years after the payment without further requests for money. There had been no grounds for Lloyds to prevent Ms L from making the payment she had told the bank to make.

As Ms L didn't accept our Investigator's view, I have been asked to reach a final decision on her complaint.

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.

I'm sorry to hear about what happened to Ms L. Everything I have seen indicates that she lent this money in good faith, and out of a kind-hearted intent to help out someone who she believed would significantly benefit from that help. But she's been left out of pocket by a significant sum as a result of D's failure to repay her.

Of course, the main cause of her financial loss here was D. For me to say Lloyds is liable in this type of situation, I would need to find that it could and should have acted to prevent that eventual loss, or that it failed to meet its obligations in some other way.

Under the relevant regulations, and in accordance with general banking terms and conditions, Lloyds has a primary obligation to execute an authorised payment instruction without undue delay. As a consequence, the starting position is that liability for an authorised payment rests with the payer, even if they made that payment as the consequence of a fraud or scam.

In saying that, I consider that as a matter of good industry practice Lloyds should have been looking out for payments that were unusual or out of character and which might therefore be indicative of the potential for harm through fraud or scam. Where it identified such a payment, I'd expect it to have taken proportionate steps to intervene - with the intent of reassuring itself that the payment was likely legitimate in nature.

Here the single payment involved was made by Ms L during her visit to a Lloyds branch. She does not dispute that she authorised the payment. So in the first instance she'd be presumed liable for it. But I have considered whether the evidence demonstrates that Lloyds did enough here in relation to the good industry practice I have mentioned above.

I understand that the payment took place some time ago, and so it is natural that Ms L does not necessarily recall exactly what happened with the same clarity as if the events had occurred yesterday.

Lloyds says when the payment was made, its system notes record the payment was treated as being high value, and that the branch manager needed to authorise it. Lloyds says this reflected its normal procedure where the payment appeared to present a higher than usual level of risk. It explains that same procedure then would involve questions being asked about the payment with the intent of establishing if the payment might be connected to fraud or scam. But it has been unable to obtain further details from the staff involved given the

passage of time.

On the other hand, Ms L doesn't recall speaking to the branch manager or answering any questions about the payment from the staff member she dealt with.

There is clearly some inconsistency between these two versions of events. I cannot know for certain what took place during Ms L's visit to the branch. The events in question occurred more than two years ago now, and even the strongest memories will fade over such a timescale. Where the evidence is contradictory, as it is here, I'm required reach my decision based on a balance of probabilities – in other words based on what I consider to be most likely given the information provided by both sides.

So, I've looked at the contemporary evidence from the time. Lloyds has produced copies of its internal system notes which record that the manager provided authority for the payment to be made. The notes from the time are consistent with Lloyds' version of events and what it says was its usual procedure for a higher risk payment. In the chat conversation Ms L has provided, I can see in one comment dated 9 December 2020 (the day after the payment) she tells D that: *"good things do happen to good people ... even the bank manager insisted yesterday"*.

Based on that contemporaneous evidence I am satisfied that Ms L most likely did interact with the branch manager in the course of making the payment even if she no longer recalls this. Furthermore, her comment about the manager remarking *"good things happening to good people"* suggests to me that the interaction almost certainly included some reference to the purpose of the payment (as Lloyds claims it would have). The comment reflects this being a good act that Ms L was carrying out and the manager's comment suggests awareness of that which must have been established through the interaction with Ms L.

In all, I find it most likely that there was some discussion about the payment and the purpose of the payment between Ms L and the branch staff, including with the branch manager. Further, I consider it likely that Ms L disclosed she was lending an old acquaintance some money to help them through a difficult period. In my assessment, this explanation best fits the available evidence from the time, and I find it is the most likely in the circumstances.

This means I find that Lloyds did intervene to discuss the payment with Ms L prior to processing it - and that it did so to a sufficient extent to establish the true reason behind it. While, again, I cannot know for certain what discussion took place, I have considered whether I think it more likely than not that the conversation should have prompted the bank to refuse to make the payment for Ms L.

However, I think that having been told that she was making this payment to help out someone in need, whom she had met in person many years prior and whom she had been corresponding with for many months, and a close relative of someone she had resided with in South Africa, the bank would have had no good reason to stop her from sending this money.

At the time of the payment everything I have seen suggests Ms L was strongly of the conviction that she was making the payment entirely of her own volition – and she wasn't being coerced or pushed into it. That certainly isn't reflected in the chat comments or emails at or around the time of the payment. Neither do those comments indicate to me that there was any obvious sign of vulnerability the bank might have been at fault for not identifying (and Ms L had not disclosed this to the bank at the time).

Had the bank pressed her further I think she'd have explained she was entirely comfortable making the payment and trusted D to repay her in line with the agreement they'd reached.

So regardless of whether Ms L has or has not in fact been defrauded by D, I don't think Lloyds - at the relevant time - would have had sufficient reason to stop her from carrying out the payment she was instructing it to make. I don't think proportionate enquiries of her at the time would have likely led the bank to have significant concerns that Ms L was being defrauded or scammed. So, I don't find Lloyds could have prevented the subsequent loss of Ms L's funds (whether through D's inability to repay the loan or fraudulent intentions from the outset). And I can't fairly require Lloyds to accept liability for that sum or repay Ms L the sum she is now claiming.

When Lloyds was made aware of what had happened, it contacted the recipient bank in an attempt to establish if any funds could be returned. But that bank responded explaining that the beneficiary had already fully utilised the funds. Nothing therefore could be recovered. I don't think Lloyds needed to or could have done more here.

In summary, I don't find Lloyds needs to refund Ms L for the payment she made. In saying this, I want to stress how sorry I am to hear about how her good gesture appears to have been taken advantage of, and the impact the events have had on her. But I do not find this was Lloyds' fault in any material way, or that it could have reasonably prevented what happened.

My final decision

For the reasons given above, I do not uphold Ms L's complaint about Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 19 September 2023.

Stephen Dickie
Ombudsman