

The complaint

Ms O complains that Lloyds Bank PLC ('Lloyds') won't refund money she lost after falling victim to a scam.

Ms O has used a representative to bring her complaint to our service.

What happened

In 2021, Ms O was looking for a property to rent in the Manchester area. She found a property and paid £1,220, being one month's rent and a deposit. It turned out that the advert wasn't genuine and that Ms O had fallen victim to a scam.

Ms O raised a fraud claim with Lloyds the day after making the payment and asked them to refund her. Lloyds investigated Ms O's fraud claim but ultimately declined to refund her, saying she didn't do enough checks before making the payment.

Ms O wasn't happy with Lloyds' response, so she brought a complaint to our service.

An investigator looked into Ms O's complaint and initially didn't uphold it. The investigator had requested information via Ms O's representative including communication between Ms O and those dealing with the property and information about the property that Ms O had rented. This information wasn't provided, so there was insufficient information for the investigator to be satisfied Ms O had made the payment as the result of a scam.

The representative didn't agree with the investigator's opinion and raised several points including:

- They were unable to get hold of Ms O in order to get the information the investigator had requested.
- Ms O wasn't able to provide a copy of the advert for the property as she no longer had it.
- We hadn't asked enough questions about Lloyds' interactions with the receiving bank.

However, the representative later provided some of the requested information. As a result, the investigator reconsidered Ms O's complaint based on the new information.

The investigator issued a second opinion saying there was sufficient evidence to be satisfied that Ms O was the victim of scam. However, the investigator didn't uphold the complaint, saying Ms O didn't have a reasonable basis to believe the property offer was genuine. They also confirmed that by the time Ms O reported the scam to Lloyds, only £6.53 remained in the beneficiary account which was returned to Ms O.

Ms O disagreed with investigator's opinion and asked that the case be reviewed by an ombudsman.

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.

Lloyds are a signatory to the Contingent Reimbursement Model Code (the CRM Code) which requires firms to reimburse customers who have been the victims of APP scams like this, in all but a limited number of circumstances.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that an exception applies. In this case Lloyds say Ms O made the payment without having a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

Having carefully considered the evidence and information that has been provided by Ms O and her representative, I'm not satisfied that Ms O had a reasonable basis for believing the property being advertised was genuine. I say this because:

- Ms O initially found the property advertised on an online marketplace. But says the advert contained a link which took her to a well-known online property rental company in order to make the booking – I'll refer to the property rental company as G. Ms O has also told us that she had communications with the landlord or owner of the property – but hasn't provided any evidence of these. There has also been reference to a separate lettings company – I'll refer to as W. The screen shots that Ms O gave, confirm a booking for a property and refers to a third separate company. It's unusual that a property advertised on a well-known property rental website would also be advertised on an online marketplace, as well as having a separate lettings firm involved. We've been given no information on how all these different parties were involved in the property or what Ms O asked as to why there were so many different parties involved as well as a landlord that she says she talked to over the phone.
- Ms O says that she did checks on the companies but hasn't provided any details as to what specific checks she did on any of the companies or what those checks showed her. I've been unable to find a genuine company with the same name as W, or any online presence for them which is unusual for a lettings company and should've been concerning for Ms O.
- Ms O told us she's used the well-known online property rental company (G) before. But she didn't make payment through their website and instead took their bank details from a website linked to the advert and made a bank transfer. This is not standard practice for this company and having to pay via a different method should've been a concern for Ms O.
- Ms O has provided a screen shot for her booking which includes some details and one picture of the property. It says that it was a 2 bedroom and 1 bathroom property and Ms O says it was close to Manchester University. From what I've seen it appears the price Ms O was paying to rent the property is well below the price for similar properties in that area. Also, Ms O has told us she was having difficulty finding a property to rent, which would suggest there may've been limited properties available which would further call into question the price if it was lower than usual. It's unclear what if any questions Ms O asked about the price of the property or what comparisons she had done to other properties she'd looked at.
- It's unclear how the payee Ms O made the payment to relates to the rental. While there is a reference to G in the transfer details, the account holder's name is that of

an individual and isn't related to any of the other companies or names that Ms O has given us. This is especially unusual as Ms O tells us that she believed she was booking the property through G.

- Lloyds have shown that Ms O was presented with a warning at the time she made the payment as the name on the account couldn't be matched to the payee name on her transfer request. It's unclear what questions Ms O asked as a result of this, or what additional checks she did.

In reaching my decision, I've taken into account all of these points collectively, rather than on an individual basis. I think there were enough warning signs that Mrs O should've done further checks to satisfy herself about the legitimacy of the deal before making the payment. Because of this, I'm satisfied that Lloyds can rely on an exception to reimbursement under the CRM Code.

However, the CRM Code also requires Lloyds to take reasonable steps to protect their customers from APP scams. And, where they identify a scam risk, they should provide their customer with an effective warning.

In this case I'm not persuaded that Lloyds should've identified a scam risk in relation to Ms O's payment and therefore weren't required to provide an effective warning. I say this taking into account the size of the payment, that it was a single payment rather than a series of payments and because it wasn't unusual or out of character when looking at Ms O's previous account use. While I realise that this represents a significant amount of money to Ms O, a balance has to be struck between Lloyds identifying potentially concerning payments, and responding appropriately to any concerns, and minimising disruption to legitimate payments.

So, while Ms O may've been the victim of a cruel scam and lost money as a result, I can't fairly ask Lloyds to refund her because of any obligation under the CRM Code.

Recovery of funds

Ms O has told us that she became aware of the scam when the link she'd been given for G stopped working, approximately 12 hours after she'd made the payment. And I can see that Lloyds contacted the receiving bank promptly when Ms O reported the fraud to them.

However, evidence from the receiving bank shows that the majority of the funds were removed from the beneficiary account within 30 minutes of them being credited and only £6.53 remained by the time Ms O reported the scam to Lloyds. So, there was nothing more that Lloyds could've or should've done to try and recover Ms O's funds.

Ms O's representative has asked that we look into the actions taken by the receiving bank and its duty in aiding the recovery of funds. But, as the investigator has already explained, if they're unhappy with the steps the receiving bank took that would need to be raised as a separate complaint. Under this complaint against Lloyds, I can only consider the steps Lloyds took and its liability to Ms O in the circumstances of this case. And, having reviewed everything, I'm satisfied that Lloyds have taken the appropriate action.

I realise that Ms O is going to be very disappointed, but I can't fairly ask Lloyds to refund her.

My final decision

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O to accept or

reject my decision before 11 August 2023.

Lisa Lowe
Ombudsman