

The complaint

Mr C complains that Lloyds Bank PLC won't refund all of the money he lost when he was the victim of a scam.

What happened

In April 2023, Mr C received a text message from someone who referred to them as "dad" and said they had a new number as their old mobile number no longer worked. Mr C assumed the message was from his son, so replied. After a short conversation, the messages said they couldn't log in to their bank account because of the new phone and number, but had two invoices that needed to be paid today. They asked if Mr C could pay them and, as he believed the messages were coming from his son, Mr C agreed.

Mr C then made two payments from his Lloyds account to the bank details the messages gave him, as set out below:

Date	Details	Amount
29 April 2023	1 st bank account details	£1,980
29 April 2023	2 nd bank account details	£1,875

Unfortunately, we now know the messages were coming from a scammer.

The scam was uncovered when the messages then asked Mr C to make a third payment. Lloyds blocked this third payment and Mr C became suspicious, so called his son on his old number. And when his son answered and said he didn't know anything about the payments, Mr C realised he'd been the victim of a scam. He then reported the payments to Lloyds and asked it to refund the money he had lost.

Lloyds investigated and accepted that it could have stopped the payments as they were out of character for Mr C. But it also said Mr C could've completed more checks to make sure the messages were genuine, and that it showed him warnings before he made the payments but he chose to continue. So it offered to refund 50% of the money Mr C had lost. Mr C wasn't satisfied with Lloyds' response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think Lloyds had established that Mr C made the payments without a reasonable basis for belief that they were genuine. So they thought Lloyds should refund the money he had lost, in full. Lloyds didn't agree with our investigator, so the complaint has been passed to me.

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.

In broad terms, the starting position in law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the

customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

Lloyds is a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This code requires firms to reimburse customers who have been the victim of authorised push payment scams, like the one Mr C fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
 - o the payee was the person the customer was expecting to pay;
 - o the payment was for genuine goods or services; and/or
 - o the person or business with whom they transacted was legitimate

There are further exceptions within the CRM code, but these don't apply here.

Did Mr C ignore an effective warning in relation to the payments?

The CRM code says that an effective warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. And it says that, as a minimum, an effective warning should be understandable, clear, impactful, timely and specific.

Lloyds has sent us a copy of the warning Mr C was shown before he made the payments, which said:

“(Customer name), before you pay:

Are you sure this bill is genuine?

Fraudsters will pretend to be a loved one, or a company you've used.

They'll ask you to pay into an account they've set up to scam you.

Always talk directly to the company, or your loved one first. Make sure its really them.

Use a phone number you trust, not one from a text, email or invoice.

Find out how to stay safe from scams on our Fraud Hub.”

But while this warning does mention fraudsters pretending to be a loved ones and making sure the person you're talking to is really the person you think you're talking to, I think it is too vague and broad about the risks a customer could be facing here. I don't think it is detailed enough about what this kind of scam could look or feel like, or does enough to help a customer understand the warning signs that could suggest they were the victim of a scam.

There are also several things mentioned in the warning that weren't relevant to Mr C's circumstances, which I think will have made the warning seem less applicable to him. And I don't think the warning does enough to highlight the seriousness of the possible consequences of sending money to a scammer, or is clear enough about the possible steps a customer could take to avoid this kind of scam.

So I don't think the warning Mr C was shown was specific or impactful enough to be effective in his circumstances. And so I don't think Lloyds has established that Mr C ignored an effective warning in relation to the payment he made.

Did Mr C have a reasonable basis for belief when making the payments?

These types of scams are particularly cruel and play on the trust and emotive nature of the relationship between a parent and their child. The initial message Mr C received referred to him as "dad". And the instant messaging app the following messages were received through is the way Mr C usually communicates with his son. So I don't think it was unreasonable for him to assume the messages came from his son.

The messages Mr C received engaged with him in a conversation about a medical procedure he was due to have, asked if he was busy and expressed shame at asking for a favour before asking if he could make the payments. So I don't think the subject of the payments would have felt forced or unnatural. I've also seen some examples of genuine messages Mr C received from his son, and the messages from the scammer are written in a similar style and tone. So I don't think there was anything in the language of the messages which should have suggested to Mr C that they weren't coming from his son.

Mr C has also said his son is in rented accommodation at the moment and he knows rental prices have increased significantly recently, so it seemed reasonable to him that this could cause his son to struggle financially. And I don't think this was an unreasonable assumption for him to have made.

And so I think it was reasonable that Mr C believed the messages were coming from his son, and that he wanted to do what he could to help him out.

I think that there were some things about the situation which should have caused Mr C some concern – particularly that he was asked to make payments to two different individuals he didn't know. But I don't think these concerns were significant enough to overcome his initial trust that he was speaking to his son and his desire to help him. And I don't think they were significant enough to say that Mr C acted unreasonably in not carrying out any further checks and in still believing he was speaking to his son.

The messages also said the amounts had to be paid today, so Mr C was put under time pressure to make the payments quickly. And the payments were both made in just over an hour after the initial message Mr C received from the scammer, so there wasn't a significant period of time for him to stop and think about what was happening.

I also don't think the warning message Mr C was shown should have caused him significant concern as, for the same reasons I've explained above, I don't think it will have seemed particularly relevant or impactful to him.

So I don't think Lloyds has established that Mr C didn't have a reasonable basis for belief when he made the payments.

Overall then, I don't think Lloyds has established that any of the exclusions to reimbursement under the CRM code apply here. So I think Lloyds should refund the money Mr C lost, in full, under the terms of the CRM code.

My final decision

For the reasons set out above, I uphold this complaint and require Lloyds Bank PLC to:

- Refund Mr C the remaining money he lost as a result of this scam
- Pay Mr C 8% simple interest on this refund, from the date it initially responded to his claim, until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 January 2024.

Alan Millward
Ombudsman