

## **The complaint**

Mr S complains that Lloyds Bank PLC has not fully reimbursed him for a series of transactions he lost to scams.

## **What happened**

Around October 2022, Mr S was added to a chat group on a messaging service which was related to an overseas investment company. He observed the chat for a few weeks and saw other people invest and receive returns, and he approached those individuals via the chat who confirmed this. He therefore signed up to invest and he received an account which he felt looked professional.

In order to fund the investment, he set up an account on a cryptocurrency platform and made transfers from his Lloyds account to the cryptocurrency account. He then purchased cryptocurrency and forwarded this to the investment. He began to see returns on the platform, so continued to invest more.

He was then asked to pay fees and taxes but was given excuses as to why the fees needed to be repaid or more taxes had to be added. Eventually, he began to have concerns and looked up the company in more detail to find they did not exist, and he realised he had been the victim of a scam.

Upon realising this, Mr S searched for a way to recoup his lost funds and found an individual online who appeared to be a respected investor. He began talking with the individual and they helped him to invest via cryptocurrency which he funded using his Lloyds account. He once again saw that he was building returns, but when he tried to withdraw the funds, the investor asked him to pay a release fee and he again realised he had been the victim of another scam.

Mr S raised a claim with Lloyds on 3 December 2022, and they issued a final response letter on 7 January 2023. In this, they agreed that they should have done more to help Mr S and felt that from the 6<sup>th</sup> payment onwards, the pattern of spending was suspicious enough that they should have intervened and spoken with Mr S. And they felt that if they had of done, the scam would most likely have been revealed. However, they thought Mr S should bear some responsibility for the scam occurring, as they thought he did not do enough due diligence before making payments to the scam. So, they felt a refund of 50% from the 6th payment onwards was fair in the circumstances. They also added 8% simple interest from the date of the payments to the date of settlement, and £150 compensation for not stopping the scam sooner. This came to a total of £93,456.87.

Mr S initially appeared to accept this, but later raised a complaint against Lloyds via a representative, which included some additional payments made in December. Lloyds responded and explained that as Mr S had confirmed these payments related to the second scam, and they were made after Lloyds warned him not to make any more, they did not agree to refund these. And they reiterated their previous stance that they felt their offer was fair.

Mr S referred the complaint to our service and our Investigator looked into it. They felt that, overall, the offer put forward by Lloyds was fair. They felt the sixth payment onwards was a reasonable point at which Lloyd should have intervened and they agreed that if this had happened, the scam would have been revealed. They also agreed that Mr S should bear some responsibility for the scams, as the returns promised were too good to be true and he could have done more research prior to investing. So they agreed that the 50% reduction in the redress was fair.

Mr S disagreed with this. He felt that he was more vulnerable to the scam due to recent bereavements he had suffered and that the scam was very convincing as it occurred slowly over time. So he didn't agree a deduction should be applied.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

### **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.

It's not in dispute that Mr S has been the victim of scam, or that Lloyds should have done more to protect his account from financial harm. What's left to decide is if the redress offered by Lloyds is fair, and in line with what I would have recommended in the circumstances.

It should be noted that as these payments went from Mr S' account with Lloyds, to a cryptocurrency account under his control before it was passed onto the scammer, they are not covered under the Contingent Reimbursement Model (CRM) code. So Mr S's case does not fall under the same level of protection as one under the CRM code would.

However, Lloyds still have a basic duty of care to their customers to protect them from financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

I've therefore looked over Mr S' statements to compare the scam payments to his genuine account activity, to see if they appeared suspicious at any point. I can see that he made some smaller payments of £1, £21.81, and £1,999 which didn't look out of character when compared to his regular account activity. He then made a £7,500 payment on 21 October, followed by a £8,790 payment on 4 November 2022. While these were of a higher value, he had made some other similar genuine payments around the same time, and these were relatively spaced apart so don't necessarily follow the pattern of a scam at that time.

The following day, on 4 November 2022, Mr S made another payment of £12,129. This was the third high level payment in a row and occurred just the day after second one, meaning a pattern was emerging that matched one of a scam. Having considered the account activity as a whole I think this is the point at which Lloyds should reasonably have intervened and contacted Mr S prior to processing the payment. I can see this is the point that Lloyds also felt they should have intervened and began the redress from. So, on balance, I think their assessment is fair and in line with what I would have recommended.

Lloyds' offer of a refund included all transactions up to 1 December 2022, but Mr S's representative highlighted some further payments made from 15 December onwards to a different cryptocurrency platform. I've considered if these should also be included in the refund. When Mr S spoke to Lloyds, he explained that these also formed part of the second scam but could not give much more of an explanation. The notes suggest that Lloyds had

already warned Mr S not to make any further payments to the scammer and to be wary moving forward of any contact asking him to send money. On balance, as the payments were not out of character for the account, and Lloyds had already provided Mr S with a clear warning not to make further payments, I don't think there is much more they could have done in the circumstances. And I don't think they need to include these payments in the refund.

I've finally considered whether or not Mr S should reasonably bear some responsibility for the losses as a result of any negligence in his actions and if it is therefore reasonable for me to make a reduction in the award based on this. In doing so, I've considered whether Mr S has acted as a reasonable person would to protect himself against the loss he suffered. The test is objective but needs to take account of the relevant circumstances.

I've firstly thought about how Mr S found the investment opportunity. He has said that he was added to a chat on a messaging service. On balance, this is not a typical way to come across investment opportunities and I think this should have reasonably made Mr S wary. I appreciate he's said that he was wary at first which is why he waited to invest and spoke to individual in the chat first.

I've the thought about how believable the investment was. Mr S has said that he was promised 300% returns within one week. This is a significant rate of return and on balance, I think this could be seen as 'too good to be true'. I therefore think this should have added to the initial concern over how the investment opportunity was found and raised some more red flags to Mr S.

I've finally considered that Mr S discovered the scam when he did a search online for the company and found they did not exist. With this in mind, I think it's likely that if Mr S had researched the company in a bit more detail when he first discovered the investment opportunity, he could therefore have realised that it was not legitimate and avoided the scam at that point. With all of the above in mind, I therefore think it was reasonable that Lloyds applied a 50% reduction to the refund, from the 6<sup>th</sup> payment onwards, and this is in line with what I would have recommended in the circumstances.

Mr S has mentioned that he was vulnerable at the time the scam occurred, as he had recently suffered a number of bereavements, and this had affected his mental health. I've thought about whether this should reasonably have impacted the way Lloyds dealt with the payments themselves or the claim. On balance, I don't think it should have done. Firstly, I can't see that Lloyds were aware of Mr S' circumstances so I don't reasonably think they could have been expected to treat him differently as a result. In addition, while I do appreciate Mr S was going through a challenging time, I don't think this made him more susceptible to this specific scam. It was not a time sensitive scam and I still think it was possible for him to have looked into the investment in more detail prior to signing up to it when taking into consideration his vulnerabilities.

Have carefully considered everything available to me, I agree that Lloyds should have intervened from the payment of £12,129 onwards and that they should refund Mr S the payments made between this one and when he contacted them on 3 December 2022. I think that Mr S should bear some responsibility for his loss for the reasons set out above, so I agree the refund should be reduced by 50%. Finally, I think the additional £150 compensation offered and paid by Lloyds for not stopping the scam sooner is in line with what I would have recommended in the circumstances.

I can see the 8% simple interest on the payments, totalling £1,135.50 as well as the £150 compensation was paid to Mr S on 6 January 2023, and the 50% refund of the payments totalling £91,887.50 was paid on 9 January 2023. So, I think Lloyds have provided Mr S with

a refund that is in line with what I would have recommended in the circumstances. And I don't direct it to take any further action to remedy the complaint.

### **My final decision**

I do not uphold Mr S' complaint against Lloyds Bank PLC, as I think they have already issued redress in line with what I would have recommended in the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 29 December 2023.

Rebecca Norris  
**Ombudsman**