

The complaint

Miss K complains that Lloyds Bank PLC ('Lloyds') won't reimburse all the money she lost when she fell victim to a scam.

What happened

Miss K says that on 16 November 2022 she received numerous calls from an unknown number during her work lunch break and ultimately answered a call. The caller told Miss K he was from Lloyds, but although she didn't know at the time, he was really a scammer. The scammer asked Miss K to log into her banking app and asked her if she'd completed a transaction for £4.90. Miss K didn't recognise the transaction and was asked to report it to Lloyds.

Miss K needed to go back to work but the scammer agreed to speak to her again at the end of her working day to complete some security checks as he said there was a virus on her phone that meant a scammer was able to access her apps. In the subsequent call, the scammer told Miss K her funds weren't safe, and she needed to move them until she attended an appointment at a branch of Lloyds to open a new account the following day. Miss K was assured that Lloyds have a partnership with an electronic money institution (EMI), so she needed to install the EMI's app and provide some details – which she did. Miss K then tried to link her Lloyds account to the new EMI account but was unable to do so.

The scammer asked Miss K if she had any other accounts and she said she had an account with another bank. Miss K was told her account with the other bank also wasn't safe, so she needed to transfer her funds from her account with Lloyds to her account with another bank and then on to the newly created EMI account. I have listed the transactions Miss K made from her Lloyds account to her existing account at a different bank in the table below:

Transaction number	Date	Time	Amount
1	16/11/11	17:27	£1,500
2	16/11/11	17:31	£2,000
3	16/11/11	17:43	£1,700
4	16/11/11	17:46	£1,500
5	16/11/11	17:53	£1,400
6	16/11/11	17:58	£1,200
7	16/11/11	18:03	£1,800
8	16/11/11	18:06	£1,200
Total			£12,300

Miss K says she reached her daily limit on 16 November 2022. The scam came to light the following day when Miss K called Lloyds. Miss K then discovered that all but £1,029.51 of the funds she had transferred to her EMI account had been spent without her knowledge.

A few days after the scam Miss K says she saw more disputed transactions on her account. Lloyds told her the transactions were made on her new card, but Miss K didn't have access to a new card.

Lloyds advised Miss K that the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) doesn't apply because the transfers were to her own account. It reviewed what had happened and agreed to the following:

- To refund payments five to eight in full after deducting the amount Miss K was able to recover from her EMI account - £4,570.49
- To pay interest on the above amount at the rate that applied to the account the payments were transferred from - £5.34
- To reimburse all disputed card payments - £4.90, £32.32 and £36.21
- To pay £50 compensation

Lloyds said that although Miss K was transferring funds to her own account with another bank the payments were made in quick succession which was unusual for her so it could have done more to protect her.

Miss K was unhappy with Lloyds' response and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. She said that whilst Lloyds could have intervened when the third payment was made, Miss K had received more than she would recommend overall. This was because the EMI Miss K transferred funds to had refunded £3,123.54 and some funds remained in Miss K's EMI account.

Miss K was unhappy with the investigator's findings and asked for a final decision, so her complaint has been referred to me to consider. She said that Lloyds should have offered more protection as she had reported a disputed transaction shortly before she made the payments in the table above. A few days after the scam Miss K says her account was used again, which demonstrates security failings by Lloyds. Finally, Miss K referred to the EMI's failings.

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 deciding what's fair and reasonable, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

The CRM Code doesn't apply in this case because it only covers payments to another person and Miss K's transactions were to her own account.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Lloyds should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

Whilst I accept Miss K is the victim of a scam this doesn't automatically mean that Lloyds should refund her. I can only ask Lloyds to refund Miss K if I conclude it should have done more to prevent the payments from being made. I've considered the position carefully.

I can see that Miss K transferred funds from an ISA account to a current account at Lloyds. In the six months before the scam transactions, she had only credited her ISA account. But moving funds from a savings account to a current account isn't unusual, particularly if a customer wishes to make a larger than normal purchase. Miss K then made transfers from her Lloyds current account to an existing payee – her own account at another bank. Transactions to an existing payee, and in particular an account in a customer's own name, represent a significantly reduced risk to a bank than transfers to new third-party payees. The early transactions Miss K made were also in line with usual spending on the account. For example, on 7 September 2022 Miss K transferred £1,200 to a third party.

There is a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. If all payments such as the ones Miss K made to her own account were blocked while further enquiries were made, many genuine payments would be stopped which would cause significant disruption and delay.

Given what I have said above, I'm satisfied that Lloyds had no reason to intervene when Miss K made the first four transactions in the table above. By the time she made the fourth payment I consider the position had changed though, as Miss K made a series of transactions in a short period of time and this pattern of transactions is common in safe account scams. It was also a pattern that was unusual for Miss K.

Like the investigator, I consider that even if I were to say Lloyds should have contacted Miss K to ask some questions about the third payment, I wouldn't be asking Lloyds to reimburse anything more. This is because Miss K has already received more than I would award if I were to conclude Lloyds should have intervened at this point. She was able to return £1,029.51 from the EMI account, the EMI refunded £3,123.54 and Lloyds has refunded £4,570.49. This means Miss K has received £8,723.54 – which is greater than a refund of payments four to eight less amounts already received (as Miss K can't receive a refund of the same funds twice).

I recognise that before Miss K made the scam transfers, she had reported a disputed transaction of £4.90 to Lloyds but don't consider this meant Lloyds should have prevented her from authorising transfers from her account to another account in her name.

In this case, there was nothing Lloyds could do to recover the funds Miss K sent by faster payment, as they were made to one of her own accounts. And I can see that all disputed

transactions to merchants have been refunded by Lloyds. In the circumstances, I consider Lloyds has acted reasonably.

I am only considering Miss K's complaint against Lloyds here so I can't comment on any of Miss K's concerns about the EMI she transferred funds to.

I'm sorry Miss K has had to contact us in these circumstances. I accept she's been the victim of a cruel scam, but I can't reasonably ask Lloyds to do anything more.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 20 November 2023.

Jay Hadfield
Ombudsman