

## **The complaint**

Mr L complains that Lloyds Bank PLC hasn't done enough to protect him against the loss of money to a scam.

## **What happened**

Mr L is represented in this complaint by a solicitor, for simplicity I will refer to Mr L throughout this decision, even when referencing what his representatives have said on his behalf.

Mr L says that he had been looking for an investment opportunity, and in July 2021 he was called by someone claiming to be from an investment firm. Ultimately, they persuaded him to invest £8,000, in four payments made between 14 and 19 July 2021. But when Mr L was told he would then need to pay a further £12,000 in order to withdraw his existing investment, he became suspicious and realised that he had fallen victim to a scam.

In early August 2022 Mr L reported to Lloyds that he'd been scammed. Ultimately, Lloyds did not think it was obliged to refund any of the money lost to Mr L. Mr L remained unhappy, and referred his complaint about Lloyds to us. As our investigator (who didn't recommend that the complaint be upheld) couldn't resolve the matter informally, the case 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.

Having done so, I've reached the same conclusion as our Investigator, and for largely the same reasons.

It's not in dispute that Mr L authorised the payments himself as he thought he was dealing with legitimate companies. Broadly speaking, the starting position in law is that Lloyds is expected to process payments and withdrawals that Mr L authorises it to make, in accordance with the terms and conditions of the account. And Mr L will then be responsible for the transactions that he has authorised.

Because of this, Mr L is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and 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.

In this case, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Mr L when he made the payment requests, or whether it should have done more than it did.

In my opinion, the first three payments – for £500, £600 and £2,000 – just weren't sufficiently unusual to reasonably say Lloyds shouldn't have allowed the payments to go through

without first getting in touch with Mr L to check everything was in order. In the wider context of how Mr L used his account, I can't say that any of these payments were high enough to have seemed suspicious or to have stood out to Lloyds. And I can't see there were any warnings about the business Mr L paid that ought to have concerned Lloyds. I understand the recipient business was involved in cryptocurrency, but not all payments made for cryptocurrency are a result of a scam. And in this case I don't think where the payment was headed ought to have automatically triggered Lloyds' attention.

So as Lloyds didn't interact with Mr L at the time of these payments, I'm satisfied it didn't unreasonably miss an opportunity to prevent these payments before they were sent.

But the fourth – and last – payment that Mr L made was significantly higher, at £4,900. And given the size of this payment and that by this stage a pattern of increasing payments had been established, I think Lloyds should have stepped in to query what the payment was for. Had it done so there is a possibility that the scam could have been uncovered and this payment prevented.

However, just prior to this payment Mr L received several credits into his account from a third party. We asked him about these payments as the funds he received on 19 July 2021 added up to £4,900, the same amount as the payment he then sent out to his cryptocurrency account. Mr L has told us that he was contacted by another individual involved in the scam who made these payments to him as proof that he would ultimately be able to withdraw his investment. So given that Mr L received payments in that covered his payment of £4,900 out, I can't agree that he has experienced any financial loss from this last payment. It follows that even though I consider this last payment should potentially have been flagged by Lloyds, I won't be asking Lloyds to refund it to Mr L.

After the payments were made, I wouldn't reasonably expect Lloyds to have done anything further until Mr L notified it he'd been scammed. And Mr L has told us this was in early August 2022, so likely at least a couple of weeks after the last payment. But I've nonetheless thought about whether Lloyds could have done more to recover the funds after Mr L reported the fraud, as in some circumstances the money can be recovered via the bank raising an indemnity with the receiving bank.

However, in these circumstances, Mr L transferred money to his own cryptocurrency account before the funds were subsequently transferred on to the scammer. So while Lloyds had an obligation to notify the recipient account provider of what had happened, it wouldn't have the same obligations as the bank responsible for the eventual transfer to the scammer's account. I also know, from experience of these kinds of cases, that scammers invariably will move the proceeds of their scams on very quickly, to avoid them being recalled. So any delay in a scam being reported, as there was here, means that the prospect of recovery is very slim. With all of this in mind, I don't consider that Lloyds could have done more to recover the money that Mr L has lost.

Lloyds is also under no obligation to refund the money to Mr L under the Contingent Reimbursement Model (CRM) Code either, as the Code does not apply to payments which the payer has effectively made to themselves (which would have been the case here given the payments were made to Mr L's account before being moved on to the scammer).

I appreciate this will likely come as a disappointment to Mr L, and I'm sorry to hear he has been the victim of a cruel scam. However, I'm not persuaded that Lloyds can fairly or reasonably be held liable for his loss in these circumstances.

**My final decision**

For the reasons I've explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 2 November 2023.

Sophie Mitchell  
**Ombudsman**