

## **The complaint**

Mr and Mrs B complain that Lloyds Bank PLC (“Lloyds”) has failed to refund £150,000 they say they lost to an investment scam.

## **What happened**

The details of this complaint are well known to both parties, so I will not repeat everything again here. Instead, I will focus on giving the reasons for my decision. But in summary, Mr and Mrs B sold a house and had some excess funds remaining. Mr and Mrs B said that they were encouraged by Lloyds to invest this money. Mr B found a company called WSCN1 Limited which was a real estate company. Mr B hired a lawyer to research this company and visited the CEO of the company in Dubai. Subsequently to this Mr and Mrs B issued a cheque of £150,000 to WSCN1 Limited.

Mr and Mrs B were promised payments from WSCN1 Limited, but after just over a year the payments stopped and they did not receive anything further.

Mr and Mrs B raised a complaint with Lloyds in May 2023 as they believe that Lloyds should refund them the money they lost from the investment. Lloyds declined to do this.

One of our investigators looked into this matter and they did not think that Lloyds had done anything wrong. Mr and Mrs B disagreed and therefore their complaint has been passed to me to issue a 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 agree with the conclusions reached by the investigator for the following reasons.

The relevant regulations and industry guidance makes it clear that banks have a duty to protect consumers from the risk of financial harm, including fraud and scams. But the obligation to warn customers of the risk of such financial harm will only reasonably have been engaged if there were sufficient grounds for suspecting the payee was a fraudster; meaning that Lloyds could have delayed the payment(s) while concerns about the payee were discussed with Mr and Mrs B.

So, I would need to be satisfied that there were concerns that WSCN1 Limited was operating a scam when Mr and Mrs B issued the cheque of £150,000 in order to expect Lloyds to have done anything further here. I’ve consulted the official organisations that publish warnings about merchants that operate in the UK and abroad, including the Investor Alerts Portal of the International Organization of Securities Commissions (“IOSCO”), as well as the FCA’s own warning list. These watchlists, along with other reputable sources, lead me to believe that there were no warnings about WSCN1 Limited at the time Mr and Mrs B issued their cheque. I should also add that even now there are no official warnings about this company.

At the time Mr and Mrs B made their payment, WSCN1 Limited seem to have been a legitimate company. So I can't see that Lloyds should have been aware that it was operating fraudulently when the cheque was issued. Rather, Lloyds at the time would only have known that Mr and Mrs B's money went to a business that appeared to be operating legitimately at the time.

Overall I'm not persuaded that there was any reason for Lloyds to have been aware that WSCN1 Limited was fraudulent or operating a scam at the time of the payment. As a result, Lloyds's duty to intervene wasn't triggered. Therefore, I don't consider the bank acted unfairly by preventing or failing to intervene in the cheque being cleared.

I should also say for the sake of completeness, that even had Lloyds intervened (Although I don't think it needed to) and questioned Mr and Mrs B about the transaction, I don't think it would have altered their decision to invest in WSCN1 Limited. I say this because they had done their own research in WSCN1 Limited including hiring a lawyer. So I don't think a general warning from Lloyds would have stopped Mr and Mrs B from investing.

I've also thought about whether Lloyds ought to have done anything to recover the funds after Mr and Mrs B reported their loss. Mr and Mrs B didn't dispute the payment with Lloyds until 2023. Given WSCN1 Limited has entered receivership, it would be highly unlikely that the bank could have recovered any funds by that point, particularly given it was around four years after the initial payment had been made. Lloyds also wouldn't have been under any obligation to consider refunding the payment under the Contingent Reimbursement Model (CRM) Code either, given the payment was made before the Code came into force (and the code doesn't apply to cheques either).

I accept, with the benefit of hindsight, Mr and Mrs B may now think that WSCN1 Limited may not have been operating correctly. But Lloyds was not to have known that at the time, so I don't think it did anything wrong in allowing the cheque in question to be paid.

I note Mr and Mrs B comments that they were not experienced investors and they would not have invested had they not been told to by Lloyds staff members. But the investment was discovered by Mr B it was not recommended by Lloyds, so I can't hold Lloyds because Mr and Mrs B chose to invest in a company that was unrelated to Lloyds.

I appreciate this will likely come as a disappointment to Mr and Mrs B, and I'm sorry to hear they have lost a significant amount of money. However, I am only able to ask Lloyds to refund the money Mr and Mrs B lost if Lloyds did something wrong. In this instance, I can't say that it did. So, I do not consider it would be fair and reasonable to hold Lloyds liable for their loss.

### **My final decision**

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 24 November 2023.

Charlie Newton  
**Ombudsman**