

The complaint

Miss D complains that Lloyds Bank PLC (Lloyds) wouldn't refund money she lost in a romance scam.

What happened

What Miss D says:

Miss D lived with her mother, who was involved in a romance scam with a man (who I will call A). A lived in South Africa. Miss D's mother was completely taken in by A and sent him large sums of money over a period - Miss A says her mother sent £39,000 to him. A continued to ask Miss D's mother for money for various purposes, but she ran out of funds. A then asked for more and said he would return the money to Miss D's mother if it was received.

Miss D wanted to help her mother out and made three payments to an account in the name of another person (B) as follows:

Date	Transaction	Amount
9 March 2020	International payment to B	£4,600
23 March 2020	International payment to B	£500
27 April 2020	International payment to B	£800
Total		£5,900

This complaint deals only with the payments made by Miss D, and so goes no further into the circumstances of the scam as regards Miss D's mother.

Miss D's mother continued to send money to A after Miss D's payments. It was realised that A was a scammer when he said he was due to travel to the UK in June 2020 but was apparently arrested at the airport in South Africa, allegedly for travelling with diamonds – he asked Miss D's mother for more money to help him get released, and at that stage Miss D's mother realised this was a scam.

Miss D said Lloyds should've done more to protect her and said they should refund the money.

What Lloyds said:

Lloyds said the Contingent Reimbursement Model Code (CRM Code) didn't apply as the payments were international ones and these were excluded from the Code. Lloyds said Miss D should've done more to protect herself. Lloyds said:

- The payments were made to a third person (B) and not to A. This should've been a 'red flag' to Miss D.
- Lloyds made the payments in accordance with Miss D's instructions.
- The first payment of £4,600 was unusual when compared to Miss D's normal spending pattern, but that didn't mean Lloyds should've intervened. The other two payments were of low value and there was no reason to stop them.
- Lloyds tried to get the money back from the recipient bank, but no funds remained.

Lloyds didn't refund any money to Miss D.

Our investigation so far:

Miss D brought her complaint to us. Our investigator didn't uphold it. He considered Miss D's account activity and said that while the first payment of £4,600 was higher than normal, there were times when one off higher value payments take place. And the other two payments were of a lower value and didn't warrant Lloyds questioning them – they were similar to everyday spending.

Also, the payments weren't made in rapid succession – which would've suggested a scam - but were spread out over time. So, there wasn't a sequence of payments.

So, Lloyds didn't need to intervene and contact Miss D about the payments. Lloyds had tried to get the funds back, but none remained.

Miss D asked that an ombudsman look at her complaint, and so it has come to me to make 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.

I'm sorry to hear that Miss D has lost money in a cruel scam. It's not in question that she authorised and consented to the payments in this case. So although Miss D didn't intend for the money to go to a scammer, she is presumed to be liable for the loss in the first instance.

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 make 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.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) doesn't apply in this case. That is because it applies to faster payments made to a UK beneficiary – and in this case, the payments were made to an overseas account.

I need to decide whether Lloyds acted fairly and reasonably in its dealings with Miss D when she made the payments, or whether it should have done more than it did. I have considered the position carefully.

The important matter here is whether these were payments that Lloyds might reasonably have considered unusual, and therefore whether they should've held or stopped the payments and contacted Miss D about them.

I looked at Miss D's account history with Lloyds. It is fair to say that the first payment for £4,600 was a little unusual – compared to her normal account activity. Up until then, her account was used for everyday, low value spending.

So here, I need to decide whether Lloyds should've intervened, or not.

But - there's a balance to be struck: Lloyds has obligations to be alert to fraud and scams and to act in their customers' best interests, but they can't be involved in every transaction as this would cause unnecessary disruption to legitimate payments. In this case, on balance, I think Lloyds acted reasonably in processing the first payment.

It follows that as the second and third payments were of low value – I can't say that Lloyds should reasonably have been expected to stop them. And as our investigator said, a typical pattern of a scam is that payments are made in rapid succession, normally on the same day or over several consecutive days – and that wasn't the case here.

So – in the circumstances of this case, I don't hold Lloyds liable for Miss D's losses.

Recovery

We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Lloyds took the necessary steps in contacting the bank that received the funds – in an effort to recover the money. Lloyds told us they contacted the recipient bank, and no funds remained to be repaid. Given that the scam took place in 2020, and Miss D complained to Lloyds in March 2023 – this wasn't a surprise – as normally in such scams, funds are removed from the recipient bank immediately.

Miss D has lost a lot of money. She's explained why the money was important to her, and the impact her losses have had. I was sorry to learn of her circumstances. She will therefore be disappointed by my decision, but I'm not going to ask Lloyds to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 31 October 2023.

Martin Lord
Ombudsman