

The complaint

Mr F complains that Lloyds Bank PLC failed to protect him from becoming the victim of a scam. This complaint has been brought by a representative (a fraud officer from Mr F's local police force) but for ease of reference, I'll mainly refer to Mr F throughout this decision.

What happened

Mr F held a savings account and a current account with Lloyds and sadly fell victim to a scam in July 2022. He was contacted by a scammer claiming to be from Lloyds' fraud team, who said that unusual activity had been detected on his account and that they were investigating what had happened. Mr F was subsequently told by this person that the manager at his local Lloyds branch was involved in these suspicious transactions and that he would need to move his money to keep it safe.

The fraudster gained Mr F's trust over time and persuaded him to withdraw large sums of money in branch, which he would then send on to the fraudster in the post.

Over the period of 7 July 2022 to 1 August 2022, Mr F made the following withdrawals and transfers across two different Lloyds branches:

Date	Transaction type	Branch	Amount
07/07/2022	Cash withdrawal	A	£4,000
11/07/2022	Cash withdrawal	A	£4,500
14/07/2022	Cash withdrawal	A	£6,000
20/07/2022	Cash withdrawal	A	£7,000
01/08/2022	Transfer to Mr F's account with another bank "N"	B	£10,000*

*No loss arose from this transfer as the scam was unravelled before these funds left Mr F's account with N.

Mr F says he was told by the scammer to tell the bank the money was firstly for building work, and then that it was to buy a car for his grandson. In total he withdrew £21,500 and sent it on to the fraudster. Mr F realised he'd been scammed when he tried to move the £10,000 from his account with N and they invoked the banking protocol, leading to the intervention of police who were able to unravel the scam.

Mr F complained that Lloyds didn't do more to protect him from financial harm, and allowed him to withdraw significant sums of money when that was not normal behaviour for him.

Lloyds' said it had no concerns about the first two payments given what Mr F had told them the payments were for. But Lloyds said that by the third payment it had become suspicious and questioned Mr F more closely, as well as asking him to read its leaflet on common scams, but that Mr F had confirmed that none of the situations set out in the scam leaflet applied to him. By the fourth payment, Lloyds was very concerned, and invoked the banking protocol, meaning that police officers attended the branch and also discussed the payment with Mr F. But even after that initial police involvement Mr F still wanted to go ahead with the

withdrawal. So, overall, Lloyds feels there was nothing more it could have done to prevent the scam.

Our investigator didn't uphold the complaint. They considered that Lloyds potentially ought to have questioned Mr F more closely about the first two payments, rather than waiting until the third payment, given that the withdrawals were out of character for Mr F. But in light of what happened when Lloyds did question Mr F in more detail, provided information about scams, and involved the police, our Investigator didn't think that any earlier intervention would've made a difference, or that Lloyds could've done anything more to have prevented the scam.

Mr F and his representative disagreed, specifically they felt that intervention at an early stage – before Mr F was so under the spell of the scammer – could potentially have prevented Mr F's loss. As no agreement could be reached, the matter has been escalated to me to determine.

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, and for the same reasons.

It's not disputed that Mr F authorised the withdrawals in question. So as per the Payment Service Regulations 2017 (which are the relevant regulations in place here) that means Mr F is responsible for them. That remains the case even though Mr F was the unfortunate victim of a scam.

Because of this, Mr F 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.

Taking the above into consideration, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Mr F, or whether it should have done more than it did.

Having considered Mr F's statements over the period prior to the scam, I do think it is arguable that from the start the withdrawals were unusual and out of character. His statements show some large payments out of his current account, but given that the scam payments were cash withdrawals, and from Mr F's savings account rather than his current account, I do consider that the very first scam withdrawal (for £4,000) should have stood out as potentially suspicious to Lloyds.

I appreciate that Lloyds did eventually follow the Banking Protocol and involve the police. But this was not until the fourth withdrawal, on 20 July 2022, by which point Mr F had already made three previous withdrawals amounting to over £14,000.

Briefly, the protocol recommends that when a customer wishes to make an unusually large cash withdrawal, staff should make tactful enquiries to determine if the customer is at risk of falling victim to a scam. If they then have suspicions that the customer is at risk of falling victim to a scam, the protocol states that they should call the police.

I appreciate that Lloyds did not consider there to be anything inherently suspicious about the first two withdrawals Mr F made, given what he said the money was for. But he was 81 years old, which is a relevant factor here. Both the Banking Protocol and the BBA report on customers in vulnerable circumstances acknowledge that elderly customers are more likely to be targeted by scammers because of their circumstances.

Considering all of this, I am satisfied that there were indicators that Mr F could be at risk, and that Lloyds ought fairly and reasonably to have been alerted by his withdrawal requests from the start, and so should have intervened sooner than they did, from the first withdrawal he made on 20 July 2022.

However, I need to consider whether any earlier intervention by Lloyds would have likely made any difference to the circumstances of the scam, and whether it would've ultimately prevented the loss from occurring. And having considered all the evidence, on balance, I'm not satisfied it would have made any difference. I'll explain why.

Lloyds did ultimately follow steps of the Banking Protocol and questioned Mr F around the circumstances of the withdrawals he was making in a private area, and eventually called the police on 20 July 2022. But even after this discussion with police Mr F still wanted the payment to go ahead.

Mr F believed that dishonest staff from Lloyds were involved and had been briefed from the very start of the scam by the fraudster to keep the true purpose of the withdrawals a secret. And I think it's more likely than not that Mr F would've stuck to his story, no matter which point Lloyds intervened, given that he believed the Lloyds staff were part of the reason why his money was at risk. And since it seems apparent that even the police were not able to get to the bottom of what was unfolding when they spoke to Mr F on 20 July 2022, I don't think that any further probing or in-depth questioning from Lloyds would have done so either.

I acknowledge that, when Mr F then tried to move £10,000 out of his account with N, and it too invoked the Banking Protocol, police were then able to get to the bottom of what was going on. But I think we must bear in mind here that Mr F does not appear to have been told that N were involved in the fraud, but he did firmly believe that Lloyds staff were involved in trying to defraud his accounts. So I think it is reasonable to infer that his reaction to questioning from N's staff, and about payments made from his account with N, would be very different to his reaction to questioning about his Lloyds account.

Overall, whilst I think Lloyds could have done more to intervene from very first withdrawal Mr F made, I'm not persuaded this would have ultimately made a difference and I think he would have proceeded with the withdrawals in any case.

I have a great deal of sympathy with Mr F being the victim of what was clearly a cruel scam that has had a significant impact on him at an already difficult time. But it would only be fair for me to direct Lloyds to refund his loss if I thought it was responsible for the failure that caused it. And while I've made it clear that Lloyds ought to have acted sooner, I'm not persuaded that it would've been able to prevent Mr F's loss, given the nature of the scam he fell victim to. So, I cannot fairly and reasonably hold it liable in these circumstances.

I acknowledge that there were delays in Lloyds providing a meaningful response to Mr F's concerns, but Lloyds has paid him £60 to recognise the impact of those delays and I'm satisfied that is reasonable compensation in the circumstance of this complaint.

I'm sorry to disappoint Mr F, as I know he feels strongly about this matter. But in the circumstances, I will not be asking Lloyds to take any further action.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 20 December 2023.

Sophie Mitchell
Ombudsman