

The complaint

Mr and Mrs W complain that Lloyds Bank PLC (“Lloyds”) won’t refund over £53,000 they lost as part of an investment scam.

The details of this complaint are well known to both parties, so I won’t repeat everything again here. Instead, I will focus on giving the reasons for my 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 conclusion reached by the investigator and have decided not to uphold it for the following reasons:

- It isn’t in dispute that Mr and Mrs W authorised the disputed payments they made from their Lloyds account. They made both international payments to a foreign account, as well as payments to “Payward Ltd”, which was a cryptocurrency account with Kraken that Mr and Mrs W had opened with the assistance of the scammer (where their funds were subsequently then transferred on to the scammer). The payments were requested using their legitimate security credentials provided by Lloyds, and the starting position is that banks ought to follow the instructions given by their customers in order for legitimate payments to be made as instructed.
- However, I’ve considered whether Lloyds should have done more to prevent Mr and Mrs W from falling victim to the scam, as there are some situations in which a bank should reasonably have had a closer look at the circumstances surrounding a particular transfer. For example, if it was particularly out of character.
- I appreciate that overall, Mr and Mrs W transferred over £53,000, which is a significant amount of money. But this amount wasn’t paid in a single ‘out of character’ transaction. It was spread over four payments made over the course of six months which, in my judgment, would not have appeared particularly unusual or out of character when compared with Mr and Mrs W’s spending history. I can see from their account statements that they had made two payments of almost £14,000 each in February 2020, for example. I acknowledge that one of the international payments they made to the scammer was larger than this at £20,000. But I don’t consider it to have been *significantly* larger, such that they ought to have been regarded as suspicious or indicating that they might have been at risk of falling victim to a scam. Similarly, by the time they came to make the £25,000 payment around a month later, I also don’t consider this would’ve appeared overly unusual in light of the payment values that had preceded it.
- I also don’t consider there to have been any other indicators of financial harm with regards to these payments. They were not being made to the same payee in quick succession for example. I also appreciate there was an FCA warning published about the scammer in April 2020. But it would not have been possible for Lloyds to determine

where any of the payments were going. They were not paid directly to the scammer, so it wouldn't have known that they were going to a broker with an active FCA warning.

- Therefore, having considered the payments Mr and Mrs W made as part of the scam, I'm not persuaded there was anything that ought reasonably to have triggered Lloyds' fraud monitoring systems, or that would have indicated they were in the process of being scammed.
- I've also considered whether Lloyds did enough to try and recover the funds after the fraud was reported. In terms of the international payments, I can see that Lloyds reached out to the beneficiary accounts but was told that they could not be returned. And with regards to the payments made to Mr and Mrs W's Kraken account, I don't consider there would have been any reasonable prospect of recovering these funds either given it was only used as a conduit for transferring cryptocurrency to the fraudsters. So, I don't think there was anything more Lloyds could have done in these circumstances.
- Lloyds are also under no obligation to refund the money to Mr and Mrs W under the Contingent Reimbursement Model (CRM) Code either. First, the Code only applies to transfers made between GBP-denominated UK-domiciled accounts. In this instance, some payments were made to an international account, so the CRM Code would not apply to these transactions. In terms of the payments made to Payward (which was a Kraken account opened by Mr and Mrs W as part of the scam, which they've confirmed they had access to), the CRM Code would not apply to these either, as it only covers payments made to another person. Deposits into a Kraken account can only be made from a bank account in the same name as the one verified on the crypto account, so we know it could have only gone to Mr and Mrs W's Kraken account. So, in this instance, the money cannot be said to have gone to 'another person' given it would have been sent to an account in their own name.

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

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 Mr and Mrs W to accept or reject my decision before 18 December 2023.

Jack Ferris
Ombudsman