

## **The complaint**

Mr and Mrs T complain that Lloyds Bank PLC hasn't refunded money they lost to a scam.

## **What happened**

The details of this complaint are well known to both parties, so I won't repeat everything here. In brief summary, in March 2021 Mr T was tricked by scammers into making payments totalling £12,982 from his Lloyds account (held with Mrs T) as follows.

10 March 2021	£3,000
11 March 2021	£2,232
18 March 2021	£5,000
22 March 2021	£2,750

Lloyds refunded Mr and Mrs T half of the first two payments (£2,616) and paid them an additional £100 compensation for service issues. Mr and Mrs T were unhappy and referred their complaint about Lloyds to us. One of our Investigators looked into things but was unable to resolve matters informally. The case has therefore been passed to me for 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've decided to not uphold this complaint, for materially the same reasons as our Investigator.

Lloyds are a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) which requires firms to reimburse customers who have been the victims of APP scams like this, in all but a limited number of circumstances.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that the customer made the relevant payments without a reasonable basis for believing that: the payments were for genuine goods or services; and/or the person or business with whom they transacted was legitimate; (there are further exceptions outlined in the CRM Code, but this is the relevant one here).

In this case, Lloyds says Mr T did not have a reasonable basis for belief (as referred to above); that the first two payments were unusual, however, and it didn't intervene in those payments, but Mr T ignored its warnings about the third and fourth payments – so it refunded Mr and Mrs T half of the first two payments (but none of the last two payments).

I've thought about this carefully and I'm satisfied this is fair. I'll explain why.

### *Payments one and two*

I'm not persuaded Mr T had a reasonable basis for believing that his payments were for genuine goods or services, or that the person or business with whom he transacted was legitimate.

I understand Mr T says he did some checks, particularly into the two 'directors' he was in touch with, and I've considered everything Mr T has said about this. But given the context in which Mr T was contacted by the scammers, and the fact the scammers told Mr T not to tell Lloyds the real reason for his payments, I think Mr T should have been on alert.

Mr T has admitted he found it strange that the scammers told him not to be upfront with Lloyds about the reasons for the payments. I don't think the steps he took as a result of this were sufficient for me to say he had a reasonable basis for believing things were legitimate. Instead, I think Mr T really ought to have looked into things further before making the payments; and that, had he done so, it ought to have become clear to him that he was very likely, if not certainly, being scammed.

This means I'm satisfied it's fair for Lloyds to rely on the 'reasonable basis for belief' CRM Code exception. That said, Lloyds says the first two payment instructions were unusual for the account, and so it would have been appropriate for it to intervene at this earlier stage and provide an effective warning (rather than at payment three). In circumstances like this, the CRM Code allows for the customer (here that means Mr and Mrs T of course) to receive a 50% refund (rather than no refund). So, I'm satisfied Lloyds refunding Mr and Mrs T half of the first two payments was fair and reasonable.

#### *Payments three and four*

For the same reasons as already explained, I'm not persuaded Mr T had a reasonable basis for believing that his payments were for genuine goods or services, or that the person or business with whom he transacted was legitimate.

But here Lloyds also intervened. It paused the £5,000 payment (the third payment), and spoke to Mr T on the phone before allowing it through. I'm satisfied from the evidence that Lloyds did its best to help protect Mr T during this call. It told Mr T the payment had been flagged as having a higher risk than normal of being fraud; and that fraudsters often tell customers not to discuss things with the bank. It asked Mr T what the payment was for. To which Mr T incorrectly told Lloyds "building works" which, he said, had been done to his satisfaction. Lloyds and Mr T then briefly discussed email interception scams. And then when Lloyds asked Mr T whether anyone had asked him to make the payment for any other reason, Mr T said "No". And then when Lloyds asked Mr T whether anyone had told him to mislead or lie to Lloyds about why he was making this payment, Mr T said, "No, not at all".

I can't say Lloyds did anything wrong when it tried to intervene and help Mr T. I think it did its best to warn Mr T about the risks of financial harm from fraud and scams, and it provided an effective warning based on the information Mr T gave it. I would expect Lloyds to have given an effective warning specific to the actual scam that Mr T was the victim of, however Mr T prevented Lloyds from uncovering the scam by using a cover story. I'm not satisfied that further questioning would've uncovered the actual scam. Also, I think it's more likely than not Mr T would've ignored a relevant scam warning and proceeded with the payment regardless. I say this because it seems to me that Mr T made the last payment despite already having doubts, and I think, in this case, that even if Lloyds had been able to put those doubts in his mind earlier through a relevant effective warning, the outcome would probably have been the same.

This means I'm satisfied it's fair for Lloyds to rely on the 'reasonable basis for belief' CRM Code exception with regards to these payments too. And there's no basis on which I can reasonably tell Lloyds to refund any part of payments three and four.

I've also considered Lloyds' efforts to recover the funds when Mr T told it he'd been scammed. I'm satisfied Lloyds did what it could but unfortunately, through no fault of its own, it wasn't able to recover the funds.

I realise this means Mr and Mrs T are out of pocket. But it wouldn't be fair for me to tell Lloyds to do anything more here. It's already paid Mr and Mrs T half of payments one and two. I've explained why I'm satisfied this is fair and reasonable. I'm also satisfied the £100 compensation for service issues was fair and reasonable. In these circumstances, I can't fairly ask Lloyds to do anything more.

### **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 Mrs T and Mr T to accept or reject my decision before 13 October 2023.

Neil Bridge  
**Ombudsman**