

## The complaint

A limited company 'S' complains that Lloyds Bank Plc didn't do enough to prevent the loss it suffered when it sent money to a Lloyds account as the result of a scam.

The complaint is brought by S' director on its behalf with the assistance of a representative. But, for ease of reading, I'll mostly just refer to S.

## What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In early 2022 S was the victim of an email invoice interception scam. One of its supplier's emails had been hacked and an invoice had been amended. So, when S settled the invoice, instead of the money going to the supplier, it went to the account details the scammers had provided. As a result of this on 1 March 2022 S' payment of \$24,238.88 credited a Lloyds account as £17,456.46.

Soon after this S were informed by its supplier of the email problem. S say the issue was reported to Lloyds on 3 March 2022. Ultimately Lloyds said they'd made no errors and were unable to provide a refund. S complained and when Lloyds maintained their position, the matter was referred to our service.

One of our Investigators didn't recommend that the complaint should be upheld. S disagreed and asked for an Ombudsman to make a decision. In September 2023 I issued a provisional decision in which I said:

*"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'm intending to reach a different outcome compared to that of our Investigator.*

*I'm satisfied that Lloyds took appropriate documentation to conduct checks in line with their process when opening the account that received S' money. I don't think Lloyds reasonably could have known at that time that the account would later go on to be used in connection with a fraud or scam. So, I don't think S' loss was preventable in relation to the account opening.*

*I've also reviewed the activity on the account both before and soon after the arrival of S' funds and I think Lloyds ought to have done more. Soon after S' money arrived there was a payment from the account for £9,900 to an existing payee. This was followed around 25 minutes later by a second payment (this time for £7,555) also to the same payee. At the point of the instruction of the second payment, I think there was enough going on with the account that Lloyds should have intervened.*

*There had been a large international credit, and this was then being followed by two payment instructions (to the same payee). The second payment was made soon after the*

*first (when presumably it could have been instructed as one payment). And the second payment instruction had the effect of draining the account to a balance of under £5. This was a significant departure from how the account had previously been operated and something I think Lloyds ought to have identified. I appreciate S are likely to argue that the intervention should have come sooner, but I'm not persuaded that is the case here, particularly given that there had been previous payments between the Lloyds account and the payee being paid.*

*I'd have expected Lloyds to have stopped the second payment prior to processing it and to have looked closely at the account. Lloyds then would have seen that the incoming payment from S had a beneficiary name mismatch. That is the intended beneficiary details included with the payment instruction didn't match the details of the recipient account holder. This would have added to the overall picture that something was potentially amiss. This is especially the case as the intended beneficiary was very clearly a business and there was no obvious link between that business and the Lloyds account holder.*

*I'd have expected Lloyds to have asked their customer about the incoming payment from S. And I don't think it's likely they would have received anything that could have demonstrated entitlement to the funds before receiving S' report of fraud on 3 March. As such, I think some of S' loss was preventable, but for Lloyds' inaction.*

*The payment credited the account as £17,456.46 and I don't think Lloyds could have done anything about the initial £9,900 outgoing payment. But I think the remaining £7,556.46 should have been prevented from leaving the account and it would therefore have remained available for recovery. I think it's most likely this amount would have been returned to S by the end of March 2022. For completeness S have confirmed that they made a further payment to their supplier as the invoice still needed to be paid. So I'm satisfied S are still at a loss. As such I'm intending to direct that Lloyds pay S an equivalent amount of US\$ had £7,556.46 been returned on 30 March 2022, taking into account the exchange rate on that date. I also think that 8% simple interest should be added to that amount to compensate S for being without those funds for that period of time.*

*I've thought about whether S should bear some responsibility for its loss due to contributory negligence. And in the circumstances of this complaint, I'm not persuaded it should. The invoice it received looked genuine and the emails instructing the payment came from the same email address that their supplier normally used. So, I don't think I can fairly say that when instructing the payment, S knew or reasonably ought to have known there was a potential problem, such that a reduction for contributory negligence would be appropriate.*

*My provisional decision*

*For the reasons outlined above, but subject to any further information I receive from either S or Lloyds, I intend to uphold this complaint.*

*I intend to direct Lloyds Bank Plc to pay S the equivalent amount of US Dollars that it would have received had £7,556.46 been returned on 30 March 2022 (using the exchange rate applicable to that date).*

*8% simple interest (yearly) should also be added to this amount. This should be calculated between 30 March 2022 and the date of settlement."*

*S responded to say they accepted my provisional decision. Lloyds responded to say they would look into how they would establish the exchange rate referred to in my decision. But they didn't provide any further comments or arguments about the merits of the complaint.*

### **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.

As neither party had any further comments or evidence for my consideration, I see no reason to deviate from the outcome explained in my provisional decision.

### **My final decision**

For the reasons outlined above, my final decision is that I uphold this complaint.

Lloyds Bank Plc must pay S the equivalent amount of US Dollars that it would have received had £7,556.46 been returned on 30 March 2022 (using the exchange rate applicable to that date). 8% simple interest (yearly) should also be added to this amount. This should be calculated between 30 March 2022 and the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 9 November 2023.

Richard Annandale  
**Ombudsman**