

The complaint

Mr D complains that Lloyds Bank PLC (“Lloyds”) have failed to refund money that Mr D lost as part of an investment scam.

What happened

Mr D saw on a social media platform that a friend of his was making substantial profits investing in crypto. The trades shown on the social media platform looked professional and believable to Mr D. Mr D contacted his friend who put him in touch with the scammer that I will call B.

B explained that Mr D would need to purchase crypto via two crypto exchanges and the funds would then be sent to B. The first four transactions were debit card payments the final one was a bank transfer.

The transactions made were as follows;

Transaction Number	Date	Merchant	Amount	Running Total
1	17/01/2022	HFinance_Simplex	£500	£500
2	17/01/2022	HFinance_Simplex	£500	£1000
3	17/01/2022	HFinance_Simplex	£1,250	£2,250
4	17/01/2022	HFinance_Simplex	£2,250	£4,500
5	19/01/2022	Cro	£1,923.48	£6,423.48

After seeing his “balance” with B increase Mr D was told by B that he had to make a further payment to cover taxes on the “profits” that he had made.

Mr D, after checking with his friend, made a payment of £3,000 from a different account to a crypto exchange which was then forwarded on to B.

After this point he was told by B that he had to make further payments to cover costs. During this back and forth Mr D says he discovered that his friend's account had been hacked and he had in fact been conversing with B from the start and he been scammed.

Mr D raised a complaint with Lloyds as he believed that Lloyds should have stopped him from making the payments in question.

One of our investigators looked into this matter and they decided that the transactions were not sufficiently out of character to warrant an intervention by Lloyds and that there was no other means of Lloyds recovering the funds.

Mr D did not agree with this and therefore his complaint was passed to me to issue 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.

Having done so, I agree with the conclusions reached by the investigator for the following reasons:

It isn't in dispute that Mr D authorised the disputed payments he made, firstly to the crypto exchanges (where his funds were subsequently transferred on to the scammers from his crypto wallet). The payments were requested by him using his 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 D 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. However, having taken Mr D's account activity and payment history into account, I do not think the payments he is disputing should have been regarded as particularly unusual.

The payments were not of such a large amount that they would represent a significant deviation from what would be considered as 'usual' activity. I say this because I can see some large transfers from Mr D's account prior to the scam transactions, such as over £7,000 in December 2021, and a transaction of £3,000 just before the transactions in question.

So, having considered the payments Mr D made, I'm not persuaded there was anything that ought reasonably to have triggered Lloyds's fraud monitoring systems or that would have indicated he was in the process of being scammed. I therefore do not consider there to have been any obligation on Lloyds to have intervened any further.

I do note that the first four transactions did trigger Lloyds to confirm that the transactions were genuine but given the overall circumstances of this complaint I don't think that it needed to do any more than this.

I've also thought about whether Lloyds did enough to attempt to recover the money Mr D lost. In relation to the first four payments as this was made with a debit card there are some circumstances where a chargeback would be successful.

But in this case, I do not believe that a chargeback would have been successful, as the payments were made to purchase crypto which he received.

In relation to the transfer the Contingency Reimbursement Model (CRM) does not apply to transfers made to an account in the customers own name and in this instance Mr D was transferring funds to an account that was in his own name.

I appreciate this will come as a disappointment to Mr D, and I'm sorry to hear he has been the victim of a cruel scam. However, I'm not persuaded that Lloyds can fairly or reasonably be held liable for his 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 D to accept or reject my decision before 1 December 2023.

Charlie Newton
Ombudsman