

The complaint

Mr A complains that Lloyds Bank PLC hasn't protected him from losing money to a scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat everything here. In brief summary, Mr A has explained that in January 2023 he made a payment of £500 using his Lloyds debit card as a result of what he thought was a legitimate investment. Mr A made the payment using his Lloyds debit card first to his Binance account, before moving the funds on from there to the scammers.

Mr A subsequently realised he'd been scammed. Ultimately, Lloyds didn't reimburse Mr A's lost funds, and Mr A referred his complaint about Lloyds to us. As our Investigator couldn't resolve the matter informally, the case has 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.

I'm very aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

I've decided to not uphold Mr A's complaint for materially the same reasons as our Investigator. I'll explain why.

Let me say, first of all, I have no doubt Mr A has been the victim of a scam here. He has my sympathy. Ultimately, however, Mr A has suffered his loss because of fraudsters, and this doesn't automatically entitle him to a refund from Lloyds. It would only be fair for me to tell Lloyds to reimburse Mr A his loss (or part of it) if I thought Lloyds reasonably ought to have prevented the payment in the first place, or Lloyds unreasonably hindered recovery of the funds after the payment had been made; and if I was satisfied, overall, this was a fair and reasonable outcome.

I'm satisfied Mr A authorised the relevant payment. Lloyds would generally be expected to process a payment a customer authorises it to make. And under The Payment Services Regulations and the terms and conditions of the account, Mr A is presumed liable for the loss in the first instance, in circumstances where he authorised the payment. That said, as a matter of good industry practice Lloyds should have taken proactive steps to identify and help prevent transactions – particularly sufficiently unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there are many payments made by customers each day and it's not realistic or reasonable to expect a bank to stop and

check every payment instruction. There's a balance to be struck between identifying payments that could potentially be fraudulent, and minimising disruption to legitimate payments.

In this case, Lloyds didn't pause Mr A's payment and speak with him about it before it was executed. So, I've considered whether I think Lloyds reasonably ought to have done so.

Mr A has said Lloyds *did* block a *subsequent* payment of £1,500 to the same merchant, so he says the fact it didn't block this previous £500 payment seems inconsistent. He's pointed to Lloyds' final response letter to him stating he typically made payments up to £200 only, and then, unfairly he says, referencing a one-off payment of £22,000 he made in 2021 as making the £500 not unusual. But I'm afraid none of these points persuade me that it would be fair for me to say Lloyds did something wrong by not pausing the payment for £500 and speaking to Mr A before the payment was executed.

I say this because this case isn't about whether Lloyds should have blocked the £1,500 payment. It's about whether the £500 payment should have been paused. And whilst I appreciate Mr A thinks the £500 payment ought to have warranted intervention from Lloyds before it was executed, I don't agree this is reasonable. Mr A's account statements show previous payments for more than £500. But in any event, as I've already said, there's a balance to be struck between identifying payments that could potentially be fraudulent and allowing customers ready access to their funds. And I can't reasonably say in this case that the amount of the payment means Lloyds' fraud prevention systems ought to have been triggered. I take on board the payment was to Binance. However, not all payments made for cryptocurrency are made as a result of a scam. And I'm not persuaded this is enough here to change things. What this means is that I'm satisfied Lloyds did not unreasonably miss an opportunity to prevent the payment being made. So I can't hold Lloyds responsible for Mr A's loss for this reason.

After the payment was made, I couldn't reasonably expect Lloyds to have done anything further until it was aware Mr A had been scammed. Then, because this was a debit card payment, the only potential avenue for recovery of the payment would have been through the chargeback scheme. However, Mr A made his payment to Binance (and not directly to the scammers). This means the merchant here, for chargeback purposes, would be Binance (and not the scammers). But Binance provided Mr A with the crypto he paid for. The subsequent transfer of the funds onto the scammers from Binance would not give rise to a valid chargeback claim through Lloyds. So, I don't think this payment was recoverable through Lloyds once it had been made.

I realise this means Mr A is out of pocket, and I'm sorry he's lost money. I understand Mr A has said a different bank has refunded him the first payment he lost to the scam (from a different bank account). However, I must decide this case against Lloyds on its own merits. And I'm satisfied, for the reasons I've explained, that I can't fairly nor reasonably tell Lloyds to reimburse him in circumstances where I don't think it reasonably ought to have prevented the payment or been able to recover it.

My final decision

For the reasons explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 January 2024.

Neil Bridge

Ombudsman