

## **The complaint**

Miss I is unhappy with the way Lloyds Bank PLC handled things after she made it aware that she had been the victim of a scam.

## **What happened**

The detailed background to this complaint is well known to both parties, so I'll only provide a brief summary here.

Miss I had relocated to Italy and was looking for accommodation to rent. On finding a property she was interested in renting she contacted whom she believed to be the property owner. She's told us contact was via email. Unfortunately, unbeknown to Miss I she was in contact with a fraudster.

During their contact, Miss I said the third party sent her a copy of their passport details and the address where they were currently residing after they had to return home from Italy.

Miss I was asked for one months' rent and a deposit. She was told this would be handled by Airbnb and she was asked for her details, for example her passport details, address and also her 'codice fiscale' which Miss I has explained is similar to a UK National Insurance number.

Miss I's told us she received emails which appeared to be from Airbnb. She says these included an email address, logo, letterhead and confirmed the person she was in touch with was the property owner and she was the possible tenant. As Miss I believed she was paying a trusted agent – an agent of Airbnb she went ahead and made an international transfer of £1,103.55 (for one months' rent and the deposit). The international transfer shows as being sent from Miss I's account on 2 October 2019.

Soon after, Miss I said the property owner stopped responding to her, so she contacted Airbnb. It was at this time Miss I became aware of the scam. She contacted Lloyds on 3 October 2019 to report she'd been the victim of a scam. Lloyds contacted the receiving bank the same day, but it received a response to say it was unable to return the funds.

Miss I complained to Lloyds. Lloyds in its response said Miss I authorised the transfer and there was no bank error. It added that the payment wasn't covered under the Contingent Reimbursement Model (CRM) due to the type of transaction – international transfer.

Miss I was unhappy with the response from Lloyds and so contacted this service. Her complaint was looked at by an investigator who didn't uphold it. The investigator didn't consider the payment to be unusual enough that it should've been identified as potential fraud by the bank. And she thought the bank had done all it could to try recover the funds once the scam had been reported.

Our investigator recognised the error within Lloyds' response letter of 30 October 2019, in which it indicated Miss I was happy with its outcome, would have been frustrating for her. Our investigator noted Lloyds issued Miss I with a corrected letter and that while the initial letter included an error this had not prevented her from pursuing the matter with our service.

When taking everything into account, the investigator didn't consider Lloyds needed to pay any compensation in relation to this aspect.

Miss I didn't agree with the investigator's opinion. She said the payment was made while she was in Italy from a UK account to a Polish account for a sum of over £1,000. Given this, Miss I doesn't agree this payment can be considered typical activity for her account.

Because Miss I didn't agree with the investigator's opinion, the complaint has been passed to me to come to 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.

This was an 'authorised payment' even though Miss I was the victim of a sophisticated scam. She requested for the payment to be made so, although she did not intend the money to go to the scammer, under the Payment Services Regulations 2017, and the terms and conditions of her account, Miss I is presumed liable for the loss in the first instance.

However, taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Lloyds should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

In this case, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Miss I when she carried out this payment to a fraudster, or whether it should have done more than it did.

I'm sorry to hear of what's happened to Miss I, and I can understand entirely why she feels so strongly that this money should be returned to her. But having thought very carefully about Lloyds' actions, I think it did act fairly and reasonably in allowing the payment to be made from Miss I's account, so I can't fairly say Lloyds should reimburse Miss I the payment she lost to the fraudsters. I'll explain why.

Miss I authorised the payment of £1,103.55 herself through her online banking. Because of this, Lloyds had an obligation to follow her instruction. But there are some situations in which it should reasonably have had a closer look at the circumstances surrounding the payment - as I've explained, I consider that, as a matter of good practice, Lloyds should've been on the lookout for unusual and out of character transactions.

I've first considered the payment Miss I made and whether the payment was out of character and unusual. Looking at the account statements from January 2019 up to the scam payment, while I can see Miss I hadn't made a payment of this size, I need to keep in mind that it is not untypical for consumers to make one-off payments for this amount – as was the case here for one month's rent and a deposit for a property Miss I wished to rent. I can also see the scam payment didn't empty the account or leave it in a negative position.

I've thought carefully about Miss I's personal views about the payment. In particular that the payment was made from a UK account whilst she was in Italy to a Polish account for a sum of over £1,000. While I do appreciate Miss I feels this wasn't standard activity on her account, I'm not persuaded the fact she made the payment whilst abroad ought fairly and reasonably to have caused Lloyds concern that she might be at risk of financial harm. I say this because it is not untypical for customers to access their banking facilities or use their accounts whilst abroad. And as mentioned above, Miss I authorised the international transfer via her online banking. I don't think Lloyds needed to intervene in this particular case just because the payment was an international one.

Banks have to strike a balance between processing payments as per its customer's instruction and monitor accounts for unusual and potentially harmful activity. But overall, when thinking about all the above factors together, I'm not persuaded the payment was so unusual or suspicious that Lloyds ought to have intervened or prevented it in this case.

#### *Reporting and recovery of funds*

I've gone on to think about whether Lloyds did what it should've done once Miss I reported that she'd been the victim of a scam. In order for me to be able to fairly ask Lloyds to refund the money to Miss I, I'd need to be satisfied Lloyds should have acted sooner in trying to recover the money. And if I don't think it acted soon enough, I need to decide whether it made any difference.

From the information I've seen, Lloyds promptly contacted the receiving bank to try to recover the funds once the scam was reported to it. Unfortunately though, the receiving bank in this instance informed Lloyds that it would not be able to return the funds to Miss I's account. At this point there was nothing more Lloyds could do to get this money back for Miss I. I understand this will come as a disappointment to her. However, I'm satisfied Lloyds did all it could in trying to recover the money. It has no power over the receiving bank and unfortunately can't compel it to return the money.

I do feel considerable sympathy for what Miss I has been through here. But unfortunately, I'm not persuaded that this was a consequence of any specific failing on the part of Lloyds – so whilst I'm sorry to have to disappoint her, I don't think it would be fair for me to ask Lloyds to refund the loss.

I'm aware Miss I feels Lloyds showed no interest in her issue and that she's dissatisfied it referred to her being happy with its outcome within its letter of 30 October 2019, when this was not the case. I appreciate that both Lloyds response to say it would not refund the money Miss I had lost, along with its letter stating she was happy with the outcome would have come as a disappointment to her and caused her frustration. I've already explained above why I don't think it would be fair to ask Lloyds to refund Miss I the money she's lost. It has also been accepted that an error was made within Lloyds initial response letter with regards to how she felt about its outcome. I can see Lloyds sent a corrected letter to Miss I which clarified she remained unhappy. In the circumstances, whilst there was an error within the initial letter, I can see the letter provided Miss I with referral rights to come to our service. So, I'm satisfied the error did not prevent Miss I for pursuing the matter or from bringing her concerns to us. Because of this, I make no recommendation in relation to this aspect.

**My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 23 March 2021.

Staci Rowland  
**Ombudsman**