

The complaint

Mr P complains Lloyds Bank PLC won't reimburse money he lost when he fell victim to a scam.

The full details of this complaint are well known to both parties, so I won't repeat them here. Instead, I'll recap the key points and focus on giving reasons for my decision:

- Mr P was introduced to the idea of trading by a friend. He made enquiries on a forum and subsequently received calls from a number of companies offering trading incentives. This included Prestige FM. Mr P started with an investment of 250 Euro followed by another 1,500 Euro. These payments were made by credit card and are not subject to this complaint. Following those investments, Mr P invested a further £37,361.71 and received a credit of £1,633.63 after his first debit card payment. Mr P also paid £1,117.09 in transaction fees.
- The payments were made using Mr P's debit card and were also facilitated by taking out two loans. They took place between November 2018 and April 2019 and were made to Euro Wealth and FXGlobe – money transfer businesses.
- Mr P realised he'd been the victim of a scam when he tried to withdraw funds and the merchant was uncontactable. He was subsequently told his account had been closed.
- Lloyds declined to refund the transactions. Payments hadn't been made to Prestige FM but to third-party money transfer services and they had carried out their role of transferring funds.
- Our investigator upheld the complaint. They were satisfied the trader wasn't legitimate because there was a warning about them on the FCA website in August 2018, and it was operating without authorisation when it shouldn't have been. There were also reports in the public domain which added to a bigger picture of this being a scam. The investigator found the bank ought to have intervened at the second payment made on 10 December 2018, for £19,167.18, as the size of it combined with it being international, was unusual activity for Mr P's account history. She required a refund of the transactions - £33,634.72 - and associated transaction fees - £1,005.66 - from that point on, plus 8% simple interest.

Lloyds didn't initially respond to the view. And when it was notified the matter was being referred to an ombudsman, it asked for an extension to respond; although granted that hasn't been met. I'm satisfied Lloyds has had a fair opportunity to consider the view and provide any further evidence or arguments. It's now appropriate to move to this final stage.

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 would like to reassure the parties that although I have only set out the key points above, I have read and considered everything provided. Having done so, I agree with the conclusions reached by the investigator for the following reasons:

- There is no dispute that Mr P authorised the transactions in question; he made the payment using his legitimate security credentials. Whilst he didn't intend for his money to go to fraudsters, he is initially presumed liable for the loss.
- Lloyds is aware of our approach of expecting it to have been monitoring accounts to counter various risks; have systems in place to identify unusual transactions or other indicators that its customers were at risk of fraud and, in some situations, make additional checks before processing payments, or decline them altogether to protect customers from possible financial harm from fraud.
- I have considered the transactions Mr P made in relation to this scam. And I agree that the first payment made wasn't so unusual or uncharacteristic that I think ought to have triggered Lloyds' fraud prevention systems. However, I do agree the second payment of nearly £20,000 was; this was a very large payment from the account, much higher than anything in the preceding 12 months, which rarely went over £1,000, and it was an international payment, which was also unusual for the account. I'm therefore satisfied this payment ought to have triggered the bank's systems and lead to payments being paused, pending further intervention – such as making enquiries, or giving a scam warning.
- Had Lloyds carried out its due diligence and duties and asked Mr P about the payment, I've no reason to doubt he would have explained what he was doing. Whilst I accept Lloyds had no duty to protect him from a poor investment choice, or give investment advice, it could have provided information about the steps a customer can take to ensure, as far as is reasonably possible, that they are dealing with a legitimate person – such as checking the payee was authorised with the FCA. And it could have drawn on its own knowledge and information that was within the public domain (as referenced by the investigator) about the high risks associated with trading and the potential for fraud and provided Mr P with a potential scam warning.
- I haven't seen any evidence that Lloyds intervened. Had it done so, I'm satisfied Mr P would have looked further into the opportunity, about the investment type in general, whether the trader was regulated here or abroad and noted the various warnings about trading scams. Indeed, it's likely he would have come across the FCA warning for Prestige FM himself. It follows that a warning from Lloyds would likely have exposed the scam, and caused Mr P to stop trading, thereby preventing the further loss of £33,634.72 and associated transaction fees of £1,005.66.
- But that isn't the end of the matter. I have also considered whether Mr P should bear some responsibility for the situation in which he finds himself. Having done so, I don't think he should. I haven't seen any evidence which would suggest Mr P foresaw, or ought to have foreseen, the risk of being scammed such that it would be fair to reduce compensation accordingly.
- I have also taken into account that Mr P borrowed in order to have further funds to invest. But it isn't clear from his account statements that the funds into his account were as a result of loans. In the circumstances of this complaint, I don't think it was reasonably foreseeable to Lloyds that Mr P was borrowing to facilitate the investment, and so was at further risk (i.e. in terms of loan repayments and interest). I therefore don't make any award for this.

My final decision

For the reasons given, my final decision is that I uphold this complaint and require Lloyds Bank PLC to:

- Reimburse £34,640.38 representing the losses set out above and associated transaction fees; and
- Pay 8% simple interest on that refund from the date of the transactions to the date of settlement, less any lawfully deductible tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 26 March 2022.

Claire Hopkins
Ombudsman