

## **The complaint**

Mr B is unhappy that Lloyds Bank PLC hasn't refunded him after he fell victim to an impersonation scam.

## **What happened**

I've discussed the circumstances of this complaint with both parties and each is fully aware of the details of it. As such I don't intend to repeat the extensive background here. In summary:

- Mr B received a call from someone posing as a police officer. They were in fact a fraudster.
- The fraudster told Mr B that his banking details had become compromised, with his account information and card details being passed to criminals.
- Mr B was unsure about the call but was persuaded to continue after he followed the fraudsters instructions to hang up, call 999 and verify his details as a police officer. Mr B did as instructed but the fraudster had kept the phone line open, meaning they took the call Mr B believed he was making to 999. Not realising that's what had happened, Mr B was convinced the call was genuine.
- The fraudster went on to explain that someone at Lloyds was involved in the fraud, and someone at Mr B's local branch was processing forged bank notes. They asked for Mr B's assistance with their investigation.
- Mr B, believing he was genuinely talking to the police, agreed to help. He was told to withdraw cash from his account and then hand this over to police, using a courier service that would be arranged.
- Mr B attended his branch and withdrew a total of £5,100 across two accounts. The bank recognised the withdrawal as unusual and so questioned Mr B about it.
- Lloyds and Mr B disagree about the level of detail and questioning in the conversation that followed
  - Mr B recalls questioning being limited and without mention of scams involving police or courier fraud;
  - Lloyds says it read a scam script, asked detailed questions about the purpose of the withdrawals, and specifically mentioned the impersonation of police officers (including that the police would never ask someone to withdraw and hand over cash). It's said Mr B never appeared concerned or worried.
- Lloyds and Mr B do agree that a cover story was given for the purpose of the payment. Mr B told the bank:
  - the money was to pay for his grandson's university tuition;
  - it was to be given to his daughter (his grandson's mother) and she'd then make the payment to the university;
  - he was withdrawing cash as his daughter's account wasn't with a high street

bank and so he didn't trust it.

- Lloyds allowed the withdrawals to proceed and Mr B left with the cash. A courier then arrived at his home to collect the money. Shortly after, Mr B realised he'd been the victim of a scam.
- Lloyds declined to refund Mr B as it felt it had done all it could to question him about the purpose of the payment and warn about the specific scam he fell victim to.
- Mr B was unhappy with the bank's response and so brought the complaint to our service. One of our investigator's considered what had happened and ultimately agreed with the bank's position. She didn't recommend the complaint be upheld and so Mr B asked for it to be reviewed by an ombudsman.

### **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 said earlier that I've already discussed this complaint with both parties. I informed the bank of my intention to uphold the complaint and my reasons for doing so. As it's still disagreed it's necessary for me to issue my final decision. I also confirmed the outcome with Mr B and it was accepted. And so, as with the background to the complaint, I'll not restate all of the detail here as both parties are aware of it.

It is true that the withdrawals made by Mr B were authorised, even though he was the victim of a sophisticated scam. He knowingly withdrew the money from the bank and even though he was tricked into doing so, under the Payment Services Regulations 2017, and the terms and conditions of his account, Mr B 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.

Lloyds hasn't argued that these considerations don't apply. Indeed, it recognised unusual account activity and stepped in to question it.

What's key is that I don't believe Lloyds' in branch questioning went far enough. There was a clear opportunity to prevent the scam, and there were warning signs that Mr B was falling victim.

It is good to see that the bank took some steps to try and protect Mr B. Questioning him about the withdrawals was the right thing to do considering their unusual nature. It's also important to bear in mind Mr B's age. He was 76 at the time of the scam and so on the cusp of what the FCA describes as an 'older old' consumer. The purpose of highlighting such characteristics of a consumer is to help identify those at heightened risk of financial harm due to fraud and scams. Many people of Mr B's age and above may well not be obviously vulnerable. But it is a fact that fraudsters target older people, and so they are generally at greater risk. This is a fact Lloyds ought to be aware of.

What this means in practice is that the bank ought to have been particularly careful to ask probing questions about the purpose of Mr B's withdrawal. Those questions need to go beyond asking only what the payment is for; the bank ought to be asking questions that flesh out the detail. The purpose here is to break through any spell cast by clever and sophisticated fraudsters. Victims are often coached into giving cover stories for payments and withdrawals, as was the case here. And so the bank should use its expertise to question customers to see that the given purpose of a payment holds up to a reasonable level of scrutiny.

I'm not persuaded the bank's level of questioning went far enough here. The testimony from both parties suggests that Mr B was only asked the purpose of the payment and the response he gave wasn't probed further. I don't disagree with the bank where it's said the purpose given by Mr B was plausible. Generally speaking it was; it's certainly feasible that a grandfather would pay toward a grandchild's education. Although it's worth noting that the bank doesn't appear to have asked any relevant follow-up questions to confirm the purpose, which might have otherwise helped to reveal the scam.

What makes the explanation sound unusual is the fact Mr B was withdrawing cash here, and he told the bank he was handing it over to his granddaughter (who wasn't present). And the reason he gave for not transferring the money instead was that she held an account with a non-high street bank and he didn't trust it. I'm satisfied that it's fair and reasonable to say this ought to have caused the bank to question Mr B further.

It ought to have sought further detail on where she did hold her account and why a faster payment couldn't be trusted. The bank could have, and should have, explained how making a faster payment was a safe and secure method of payment. It ought to have explained that Mr B's money was safe if he was dealing with a regulated UK bank. And it ought to have been wary of allowing an older customer to leave branch with over £5,000 in cash on their person, when that didn't appear to be a necessary risk. Mr B's position on refusing a safe, fast, and secure payment method ought to have raised red flags with Lloyds.

The bank could also quite easily have seen that Mr B did regularly make faster payments and so was – at least generally – comfortable with the faster payments system. And, what's more, it could have seen that he'd sent money to his daughter using that payment method several days before. All of which ought to have led to the bank questioning what it was being told.

I'm satisfied that asking more suitable questions would have either broken the spell for Mr B or it would have led to a position where Lloyds was rightly concerned about the withdrawal. If the latter was true, Lloyds could then have invoked the Banking Protocol which would have seen the police attending branch to speak to Mr B. It's very difficult to see how that wouldn't have led to the scam being uncovered.

Lloyds has made the argument that it read Mr B a scam script and discussed police impersonation scams. I've seen little evidence to show exactly what was discussed. Mr B's recollections of such conversations are limited. But even the bank's explanation doesn't persuade me that a detailed conversation took place. Reading scripts and generally mentioning impersonation scams, even specifically involving the police, will often do little to break the spell cast by a fraudster. Banks need to bring to life the key features of such a

scam, carefully and clearly explaining the details so a customer can understand and relate to them. I'm not persuaded that happened here, but I do believe it would have made a difference.

In conclusion, I'm persuaded that the bank ought to have done more to prevent the scam and that, had it done so, Mr B's loss would have been avoided. It follows that Lloyds then ought to compensate Mr B for that loss by reimbursing the money that was withdrawn.

I have considered whether Mr B should bear some responsibility for his loss and I don't think he should. He was the innocent and unwitting victim of a sophisticated scam. The fraudsters preyed on his trust of the police, and used known technology loopholes to convince him that's who he was genuinely dealing with. I know he didn't tell the truth about the purpose of his withdrawals. But this is a common feature of scams that Lloyds ought to be aware of. And as the expert in the relationship it needed to do more to break the fraudsters convincing spell.

### **Putting things right**

Lloyds should pay compensation to Mr B in form of:

- refunding the two withdrawals to their respective accounts;
- pay interest on each withdrawal at the applicable account rate, calculated from the date of loss to the date of settlement

### **My final decision**

I uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 17 March 2022.

Ben Murray  
**Ombudsman**