

The complaint

Mrs H complains that Lloyds Bank PLC won't refund money she lost after she fell victim to an Authorised Push Payment (APP) scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat it in detail here. But in summary and based on the submissions of both parties, I understand it to be as follows.

On 10 January 2022 Mrs H received a message from whom she thought was her son, but unknown to her at the time it was a fraudster impersonating her son. The fraudster tricked Mrs H into believing that her son wanted help paying some urgent bills, which led her to making a transfer, for £875, to an account that the fraudsters controlled. Mrs H went on to attempt a further two payments, but they were picked up by Lloyds' fraud detection systems and they did not go through.

When Mrs H sent a copy of the receipt for the payment to her son, through a social media messaging platform, her son contacted her straight away to let her know he hadn't asked for any money, at which point Mrs H realised she'd been the victim of a scam.

Mrs H raised the matter with Lloyds. Lloyds considered its obligations under the Contingent Reimbursement Model (CRM) Code, of which it is a signatory. The CRM code requires firms to reimburse customers who have been the victims of APP scams like this in all but a limited number of circumstances. Lloyds says one or more of those exceptions applies in this case.

It sent its final response to Mrs H on 4 March 2022, but it didn't uphold the complaint. In summary, it said it was sorry to hear what happened to Mrs H and it appreciated the message from the fraudster seemed convincing. But it said it would have expected Mrs H to carry out some checks to make sure who she was messaging was genuine and it added that Mrs H should have questioned things further to ensure it was her son. Alongside this, it said it provided a warning to try and prevent Mrs H from making the payment.

Lloyds did try and recover the money Mrs H had lost from the beneficiary bank (the bank to which the money was sent), but unfortunately only £2 was recovered, which was returned to Mrs H's account.

Unhappy with Lloyd's response, Mrs H brought her complaint to our service and one of our Investigators looked into things. Our investigator didn't uphold Mrs H's complaint, in summary she thought Mrs H could have done more to ensure that what she was being told was genuine, before sending the money. Our Investigator was also satisfied that Lloyds had done what it could to try and recover the money Mrs H sadly lost.

As agreement couldn't be reached the complaint was passed to me for a decision. I explained to Lloyds that my initial thoughts were that I was minded to uphold the complaint. In summary, I said this because with the benefit of hindsight and with the removal of the pressured environment, there may be elements we could think of where Mrs H could have

asked further questions. But I thought Mrs H genuinely believed she was speaking to her son and she naturally wanted to help him. I said this especially considering Mrs H's personal circumstances, which I thought arguably would have made her more susceptible to this type of scam.

Alongside this, I explained that I'd considered the warning Lloyds provided, but noted that it wasn't specifically related to the type of scam Mrs H fell victim to, so I could understand why she moved past it, especially considering in the messages the fraudster was coaching her past the warning. Overall, I was minded to say that, given Mrs H's age and the wider circumstances in this case, I thought the complaint should be upheld, and so I invited Lloyds to reconsider its position.

Lloyds didn't agree with my initial thoughts and said that it didn't think that a refund was appropriate. In summary, while Lloyds recognised age is a potential vulnerability it said when speaking to the scammer Mrs H had an awareness that the bank was indicating to her that this was potentially a fraud. It added that her son had never contacted her in this way before to ask for money. Lloyds said it was sympathetic with Mrs H's circumstances, but that she'd told Lloyds there wasn't anything that had impacted her decision making.

As agreement still couldn't be reached, I've formalised my findings in 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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Lloyds should have refunded Mrs H the money she lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- In the circumstances Lloyds should fairly and reasonably refund the money Mrs H lost.
- The money was taken from Mrs H's current account. It is not clear how Mrs H would have used the money if Lloyds had refunded it when it should have done, so Lloyds should also pay interest on the money it should have refunded at 8% simple per year, from the date Lloyds decided not to refund Mrs H under the CRM Code to the date of payment.

Did Mrs H have a reasonable basis for belief when making the payment?

I've carefully considered Lloyds representations about whether Mrs H had a reasonable basis for believing she was genuinely speaking to her son. Weighing everything up, I think she did and I don't think it would have reasonably occurred to her that she may have been speaking to a fraudster, and that there was a risk with making the payment.

Mrs H told Lloyds at the time of reporting the scam, that she only had a son, and she was so taken in that she was sure it was him. I'm mindful Mrs H has said, the messaging service used by the fraudster, was not the usual way her son contacted her. But given the fraudster had told Mrs H that her son's phone was broken, I don't consider it's unreasonable that Mrs H may have not been concerned by her son contacting her in a slightly different way than he may typically have done. I say that also as Mrs H told Lloyds when she reported the scam, that she didn't think to contact him through the messaging service she usually

communicates with him through, as she thought that would be broken too, which I don't think was an unreasonable assumption to make, given she thought his phone was broken.

What followed, whilst not detailed, appeared to be a normal conversation about needing to borrow some money fairly urgently. This kind of scam is designed to prey on a parent's natural inclination to help and defend their child. And so, it's fair to say, the rationale or circumstances may not be questioned as much as they otherwise might be. The fraudster is playing on an emotional response, that the parent is unlikely to be particularly aware of at the time.

I'm mindful that the reason Mrs H was given as to why her son was unable to make the payments himself was quite plausible. The fraudster's explained that, due to the phone being broken, they were in the process of moving apps and didn't have access to their own banking and they gave assurances to Mrs H that the money would be returned to her, as soon as they were back up and running. I consider that's not an unreasonable explanation for Mrs H to have accepted. And while Lloyds have argued that Mrs H's son had only asked for money face to face before, rather than through a message, I don't think that in and of itself is enough to say that Mrs H didn't have a reasonable basis for belief.

I've thought carefully about what Lloyds has said, in that Mrs H had an awareness, through the warnings she saw, that the bank was indicating this was a potential fraud. But I don't think it automatically follows that this means Mrs H thought it was actually a fraud. I say this because in the details of the messages between Mrs H and the fraudster (which Lloyds captured at the time the scam was reported), Mrs H says to the fraudster "my bank saying this might be a scam" and "I think the bank think this is a scam". While I understand the point Lloyds is trying to make here, I'm not persuaded that these messages mean that Mrs H actually believes this is a scam. Rather I think she is relaying what she is seeing onto who she genuinely believed to be her son.

Importantly here, one of those messages related to the Confirmation of Payee (COP) check not matching and the fraudster was quickly able to coach Mrs H through that, by providing a different spelling for a surname, which created a COP match. So I can understand how this reasonably would have given Mrs H some reassurance. As well as this the other warning Lloyds has said it provided had no relevance to the type of scam Mrs H fell victim to, rather it seemed to be targeted at 'safe account' scams, which was not happening here. The fraudster had coached Mrs H to move past this warning, but even if Mrs H had paused for further thought here and studied the warning Lloyds presented further than she did, for the reasons mentioned, I don't think it would have resonated with her or impacted her decision to move on with the payment, especially where the fraudster was telling her to move on.

People don't expect to be scammed and Mrs H has said she had no idea that fraudsters would have been able to get hold of her through messaging in this way. It's important to remember when dealing with scams like this, and in fact any scams, that customers are generally not in a state of alert when it comes to detecting and preventing fraud. With the benefit of hindsight and the removal of the pressured environment, it's easier to identify elements where Mrs H may have had an opportunity to ask further questions. Indeed I think during the call Mrs H had with Lloyds, when she reported the scam, she does that, where I'm persuaded she is, on reflection, thinking of things she could have done differently to have prevented the scam from happening. While there are things Lloyds, and Mrs H, could think of afterwards, with the benefit of hindsight, it doesn't automatically follow that she didn't have a reasonable basis of belief in the moment.

I detailed in my initial thoughts to Lloyds some background to Mrs H's personal circumstances, so I don't need to share them again here, but they are an important factor. I think given Mrs H's age (she was over 80 at the time of the scam) and given Mrs H's

circumstances it is arguable that she was vulnerable and that her susceptibility to this particular type of scam was greater than it might have been for others.

With all of the above in mind, in light of all the circumstances here, and in line with the requirements of the CRM Code, I'm not satisfied Lloyds has been able to establish that when Mrs H sent the payment she did so without a reasonable basis for belief. It follows that I think Lloyds ought to have fully refunded Mrs H under the provisions of the CRM Code and so it should fairly and reasonably refund the remainder of that loss now.

Finally, Lloyds has said it provided warnings to Mrs H at the time she made the payments. I'm not persuaded the payment Mrs H made to the fraudsters was so remarkable or unusual that I would have expected Lloyds to have identified a scam risk. So I'm satisfied it needn't have identified a scam risk and in turn did not need to provide effective warnings or question the payment before processing it.

But given Lloyds has argued it provided an effective warning, I've considered this. While the warnings, in part, intend to warn customers about a potential scam, I find that they don't meet the definition of an 'effective warning' as set out by the CRM Code. The warnings are not specific to the type of scam Mrs H was falling victim to and don't bring to life what these type of scams look like or highlight the common features of these types of scam.

Overall and on balance, I'm not persuaded that Lloyds has shown that Mrs H lacked a reasonable basis of belief for making the payment, or that she ignored an effective warning.

Putting things right

For the reasons explained, Lloyds Bank PLC should now;

- Refund Mrs H £873 (being the £875 lost, less the £2 that was recovered and refunded).
- Pay 8% interest on this amount, from the date it declined Mrs H's fraud claim, to the date of settlement.

My final decision

My final decision is that I uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 12 April 2023.

Stephen Wise
Ombudsman