

## The complaint

Mr H has complained that Lloyds Bank PLC ("Lloyds") has refused to refund him money he lost as the result of a scam.

## What happened

Mr H found an advertisement online for cryptocurrency investments. They claimed to be specialists in crypto trading and as this was of interest to Mr H, he completed a contact form. Initially he did not make an investment as he was concerned with the volume of calls that he was receiving.

A few months later a representative of a company which I will call B contacted Mr H and he was convinced to install remote access software which would allow B to transfer funds from bank accounts Mr H held to Kraken (a Crypto exchange), the funds were used to buy crypto. The crypto was then transferred to B. The investments that were made appeared legitimate. Mr H made the following payments.

Transaction number	Date	Payee	Amount	Running Total
1	23/11/2021	Kraken	£600.86	£600.86
2	02/12/2021	Kraken	£904.37	£1,505.23
3	02/12/2021	Kraken	£4,265.88	£5,771.11
4	13/12/2021	Kraken	£6,415.47	£12,186.58

Mr H's "trading account" initially showed that he was making a profit, but when he tried to withdraw his funds he was unable to do so. B said that he had to deposit more funds in order to withdraw what he had in his account. At this point Mr H realised that he had been scammed.

Our Investigator considered Mr H's complaint and thought it should be upheld. She thought that during a phone call between Mr H and Lloyds about transaction 1 probing questions about the payments should have been asked.

Our Investigator felt that, had Lloyds stepped in at this time and asked relevant questions, it was likely Lloyds would have been able to see the payments were most likely part of a scam and prevented any further loss. Lloyds disagreed, but did offer a 50% refund on the basis that it believed that Mr H contributed to his own loss. Mr H did not agree with this offer and the investigator maintained that a full refund was merited, so this complaint has been passed to me to decide.

## **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.

The circumstances of this complaint are not in dispute and the evidence provided by both Mr H and Lloyds set out what happened. What is in dispute is whether Lloyds should refund any of the money Mr H lost because of the scam.

Mr H has accepted he authorised Lloyds to make the payments he made to B so the starting point here is that Mr H is responsible for making the payments. However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

In this instance transaction 1 was flagged by Lloyds and a call was made. I have listened to this call and I can see that questions about the transactions were asked. That said, I don't think the questions went far enough. Had Lloyds asked questions such as how Mr H came across the investment, was he trading on his own behalf or had someone advised him and had he installed remote access software. Lloyds would likely have discovered that the funds were intended to be converted to crypto and forwarded to a different trading firm and that this was being carried out on his behalf by a third party, using remote access software. This has all the hallmarks of a typical crypto scam. So I think Lloyds should have warned Mr H at this point that he was likely being scammed.

I think that had Mr H been warned, he would not have carried on with the transactions in question. So, but for Lloyds's failure to act on clear triggers of potential fraud or financial harm, Mr H probably wouldn't have continued to make the additional payments.

Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their actions. In this case, I do not think that Mr H was to blame for what happened and I haven't seen anything to suggest that he had foreseen the risk of this sort of harm occurring, or indeed any harm.

Mr H seems to have started with a small sum via another account and had seen his "investment" grow before committing to larger sums, which seems a cautious approach. I do not think Mr H could have foreseen the risk that the company he was dealing with was in fact scammers and the trading account he was viewing was likely to be a simulation and therefore completely false information. I also can't see there were any credible warnings in place about B at the time Mr H started making the payments. So even if Mr H had done further research on B I think it unlikely that would've come across information that would've been credible enough to have made him aware it was in fact a scam.

So, in the circumstances, I do not think it would be fair to reduce compensation on the basis that Mr H should share blame for what happened.

## **Putting things right**

To put things right, Lloyds should:

- 1) Refund the transactions relating to the scam. Including the transaction fees.
- 2) Pay simple interest at 8% per year on the above amounts, calculated from the date each payment was made, until the date of settlement (less any tax properly deductible).

**My final decision**

For the reasons given above, my decision is that I uphold this complaint in part and require Lloyds UK Bank Plc, trading as Lloyds Bank, to put matters right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 20 October 2023.

Charlie Newton  
**Ombudsman**