

The complaint

Mr A complains that Lloyds Bank Plc won't reimburse him the money he lost to a scam.

What happened

Mr A says that in September 2022 he was contacted by someone on social media who said they could offer him investment opportunities, relating to cryptocurrencies. Mr A says he was told he could get good returns, and that he saw a professional looking website for the company he'd be dealing with and found positive reviews online. Mr A opened an account with Lloyds, and then between September and November 2022, he sent 37 payments from his Lloyds account to a cryptocurrency exchange where he had also opened an account, the funds were then moved on from there.

From around mid-October 2022 Mr A had been discussing withdrawing his funds from the investment, but was told he needed to make additional payments in order to be able to do so. When the scammers continued to ask him to make more and more payments to enable him to withdraw his funds he became suspicious, and ultimately realised he'd been the victim of a scam.

Mr A raised a complaint with Lloyds, as he felt it should have done more to protect him from this scam. But Lloyds did not agree, it said it had intervened when Mr A first started making the payments, and had asked appropriate questions, but that Mr A had not said anything to make it think he was at risk of a scam. So, Lloyds felt it'd done enough to warn him of the risks involved and declined to offer a refund. Mr A remained unhappy, so he referred his complaint to our service.

One of our Investigators didn't recommend that the complaint should be upheld. In summary they felt that Lloyds had done what it could to warn Mr A of the potential for this kind of investment to be a scam, and had asked appropriate questions to try to identify if he was being scammed. They also felt Lloyds could not have done more to recover the funds once it'd been told of the scam. So, they didn't recommend that Lloyds refund any of the disputed payments.

Mr A disagreed and asked for an Ombudsman to review his complaint.

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.

Firstly, I'm very sorry to hear that Mr A has been the victim of such a cruel scam. I have no doubt as to the significant impact this must have had (and continues to have) on him. However, it would only be fair for me to direct Lloyds to refund any of these payments to Mr A if I found it was responsible for failings which either caused the loss or hindered its recovery.

Lloyds' first obligation is to follow the instructions that Mr A provides. But if those instructions are sufficiently uncharacteristic or suspicious, I'd expect Lloyds to intervene and to ask more

about the intended transactions before processing them. I'd also expect Lloyds to provide suitable warnings about common scams to help its customers make an informed decision as to whether to continue with the payments. There might also be cases where it's appropriate for Lloyds to refuse to follow the instruction if there are good grounds to believe it is being made as a result of a fraud or scam.

In this case the very first payment Mr A made – which was for over £12,000 – was flagged as potentially suspicious by Lloyds and it intervened by contacting him and having two conversations, over the course of two days, about the payment. Throughout these interactions Mr A's answers to the questions from Lloyds included that:

- He was investing in cryptocurrencies and was aware of the risks in doing so.
- He had opened his cryptocurrency account himself and hadn't shared access or details of it with anyone else.
- He wasn't being instructed or assisted by a broker.

Further to this, after the first call with Mr A Lloyds told him they wanted him to think carefully about making this payment given the potential risks, and then called him back the next day to discuss it again. Mr A again reiterated that he was making the payment without any involvement from a broker.

As well as asking questions, I think it's important that banks provide context to those questions and highlight how common scams work. A consumer may not understand the importance of the questions being asked without this. But on both of these calls Lloyds spoke to Mr A about the risk of scams when dealing with cryptocurrencies, and mentioned details of scams that closely matched what was happening to Mr A.

Much of what Mr A said at the time he spoke to Lloyds differed to what he said when reporting the scam, so it appears that Mr A was not being honest with Lloyds. And, by answering in the way he did, I think Mr A seriously impaired Lloyds' ability to try to protect him.

And everything that Mr A said to Lloyds was plausible. Investing in cryptocurrency certainly can be a risky thing to do. But it can be a legitimate investment, and Mr A very much presented it in that way, without saying anything that would indicate he was being scammed. Lloyds was under no obligation to provide investment advice or to prevent Mr A making potentially unwise financial decisions. It was obliged to try to prevent fraud, scams and the misappropriation of funds. And in the circumstances of this complaint, I'm satisfied that Lloyds took reasonable steps to educate Mr A about the potential for this to be a scam and to ensure he was acting independently when making the payment.

Mr A did then go on to make many further payments, but all of these were significantly smaller than the initial payment flagged by Lloyds. And given that Mr A had told Lloyds he was investing in cryptocurrency, and this account had only ever been used for these payments so there was no account history for Lloyds to compare the payments to, I can't see that anything about these payments would have flagged to Lloyds as unusual or worthy of further investigation.

I'm also satisfied that, upon receipt of notification of fraud, there wasn't anything Lloyds could've done that would've resulted in the recovery of Mr A's funds given that Mr A has said he moved the funds on from his cryptocurrency account himself.

Mr A says that at the time of the scam he was vulnerable, he feels that Lloyds' process should involve steps to identify those who might be more vulnerable to scams – he's suggested they could ask customers if they are on medication or other similar questions. But

given the huge range of potential vulnerabilities, I can't see how it could be reasonable to expect Lloyds to ask such specific questions. Lloyds has to rely on what it is told by its customers or is able to infer about them from customer interactions. And Mr A came across as a confident and articulate customer and didn't mention any vulnerabilities in his conversations with Lloyds, so I'm not persuaded this is something Lloyds could reasonably have known or ought to have ascertained at the time.

As I said at the start of my decision, I'm genuinely sorry to hear of what's happened to Mr A. But as I don't think Lloyds is responsible for any errors that caused or contributed to the loss or hindered its recovery, I don't consider it needs to do anything further to resolve this complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 23 November 2023.

Sophie Mitchell
Ombudsman