

## The complaint

Mr R complains that Lloyds Bank PLC (Lloyds) is refusing to refund him the amount he lost as the result of a scam.

## What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mr R joined a popular dating site in early June 2022 and started talking to a third party I will call X. Mr R and X moved their conversation from the dating site to WhatsApp where they exchanged further messages and got to know each other.

X explained she had made lots of money investing in cryptocurrency and showed Mr R screenshots of the profits she had made. X explained she was working for a company called Coinbase 73 (Y) and convinced Mr R that he could also make money by investing.

X guided Mr R to setup accounts with various cryptocurrency exchanges from which he was guided to buy cryptocurrency and transfer to his crypto wallet. Mr R also tells us he clicked on a link sent by X which unbeknown to him had given X access to his crypto wallet.

Mr R was led to believe he was making substantial profits from the investments but when he requested a withdrawal X told him he would have to make further payments first.

Mr R made payments into the scam via several accounts. The following are the payments Mr R made from his account with Lloyds:

Date	Payee	Payment Method	Amount
19 June 2022	CB Payments	Card Payment	£100.00
24 June 2022	Coinclan	Faster Payment	£5,000.00
25 June 2022	Coinclan	Faster Payment	£19,175.37
26 June 2022	Coinclan	Faster Payment	£10,037.33
28 June 2022	Coinclan	Faster Payment	£24,950.00
29 June 2022	Coinclan	Faster Payment	£24,189.99
30 June 2022	CB Payments	Card Payment	£150.00
30 June 2022	CB Payments	Card Payment	£284.00
1 July 2022	CB Payments	Card Payment	£3.13
1 July 2022	CB Payments	Card Payment	£20.00
1 July 2022	CB Payments	Card Payment	£30.00
4 July 2022	CB Payments	Card Payment	£926.91
8 July 2022	Coinclan	Faster Payment	£15,065.52
9 July 2022	Coinclan	Faster Payment	£2,896.00
11 July 2022	Coinclan	Faster Payment	£12,500.00
12 July 2022	Coinclan	Faster Payment	£5,695.35
18 July 2022	Coinclan	Faster Payment	£6,674.04
19 July 2022	Coinbase	Card Payment	£3,000.00

1 August 2022	Coinbase	Card payment	£150.00
5 August 2022	Skrill	Faster Payment	£3,000.00
8 August 2022	Coinbase	Card Payment	£2,800.00
8 August 2022	Binance	Card Payment	£3,000.00
8 August 2022	Binance	Card Payment	£3,000.00
8 August 2022	Binance	Card Payment	£3,000.00
8 August 2022	Binance	Card Payment	£3,000.00
8 August 2022	Binance	Card Payment	£3,000.00

It became clear Mr R had fallen victim to a scam when X stopped communicating with him.

Our Investigator considered Mr R's complaint but didn't think it should be upheld. Mr R disagreed, 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.

It has not been disputed that Mr R has fallen victim to a cruel scam. The evidence provided by both Mr R and Lloyds sets out what happened. What is in dispute is whether Lloyds should refund the money Mr R lost due to the scam.

#### *Recovering the payments Mr R made*

Mr R made payments into the scam via his debit card and via the method of transfer. When payments are made by card the only recovery option Lloyds has is to request a chargeback.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mr R was dealing with X, which was the person that instigated the scam. But Mr R didn't make the debit card payments to X directly, he paid separate cryptocurrency exchanges. This is important because Lloyds would only have been able to process chargeback claims against the merchant he paid, not another party (such as X or Y).

The service provided by the cryptocurrency exchanges would have been to convert or facilitate conversion of Mr R's payments into cryptocurrency. Therefore, they provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was later transferred elsewhere doesn't give rise to a valid chargeback claim against the merchants Mr R paid.

When payments are made by the method of transfer Lloyds has limited options available to it to recover them. In these circumstances Lloyds would only have been able to contact the receiving merchant to request a refund if any funds remained. But Mr R was sending funds to his own accounts at cryptocurrency exchanges and these funds were then moved on. So, Lloyds would not have been able to recover the payments.

With the above in mind, I am satisfied that Lloyds had no reasonable options available to it to recover the payments Mr R made into the scam.

*Should Lloyds have reasonably prevented the payments Mr R made?*

It has been accepted that Mr R authorised the payments that were made from his account with Lloyds, albeit on X's instruction. So, the starting point here is that Mr R is responsible.

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.

The question here is whether Lloyds should have been aware of the scam and stepped into question Mr R about the payments he was making. And if it had questioned Mr R, would it have been able to prevent the scam taking place.

Mr R made many large payments in relation to the scam and considering the nature of the payments I am not surprised to find that many of the payments Mr R attempted were stopped by Lloyds and it did step into question Mr R about what the payments were for. Lloyds has provided 19 call recordings of conversations that took place between Lloyds and Mr R. I have listened to each of the recordings provided.

Mr R was asked by Lloyds on several occasions if there was any third party involved in the payments he was making and he said there wasn't. This was false information, as Mr R has confirmed to us that X had helped him with the investment.

It's clear from the many calls that took place that Mr R was becoming very frustrated with Lloyds blocking the payments he was making and explained several times that he was not being scammed. Mr R even went as far to say how could he be scammed if it was only him involved in the payments he was making?

In addition to the above Lloyds invoked the banking protocol and required Mr R to speak to the police before it would send any further payments. But even after speaking with the police Mr R was still willing to make payments into the investment.

Mr R has told us he gave false information to Lloyds when making the payments as he feared losing his money altogether if the payments didn't go through.

I understand Mr R feels Lloyds should have done more to prevent the scam taking place. But considering the above, I think Mr R has shown he was willing to give false information to Lloyds to make sure the payments he was making were processed so I think it's very unlikely Lloyds had any chance of uncovering the scam.

I don't think Lloyds missed an opportunity to uncover the scam, so it's not responsible for Mr R's loss.

### **My final decision**

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 22 February 2024.

Terry Woodham  
**Ombudsman**