

## The complaint

Mr K 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 K was looking for part-time work when he was contacted via WhatsApp by a recruiter (X) offering a part-time online role.

X explained it was based in London and provided information that appeared to show it was a genuine business. Mr K carried out his own online research and was unable to find anything negative about the business. Mr K therefore agreed to register on the website X provided.

Mr K was assigned a trainer who explained how the opportunity would work and he received a £15 credit to his Binance account without making any payments himself. This made Mr K feel comfortable making payments and he agreed to make a payment of \$50 to unlock the next level.

The role Mr K had agreed to was to process shipping orders for the business and to do this he had to make payments first. He would then be paid a commission. After completing the tasks, Mr K decided to make a withdrawal but was told he would have to make payments first in relation to tax.

It was clear at this stage that Mr K had fallen victim to a scam.

Mr K made the following payments in relation to the scam from his Lloyds account:

<u>Date</u>	<u>Payee</u>	<u>Payment Method</u>	<u>Amount</u>
21 February 2023	Binance	Debit Card	£41.62 + £1.74 fee
23 February 2023	Binance	Debit Card	£12.47 + 0.87 fee
23 February 2023	Binance	Debit Card	£12.47 + 0.87 fee
23 February 2023	Binance	Debit Card	£25.76 + £1.27 fee
23 February 2023	Binance	Debit Card	£99.73 + £3.48 fee
23 February 2023	Binance	Debit Card	£299.18 + £9.44 fee

Our Investigator considered Mr K's complaint and didn't think it should be upheld. Mr K 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 K has fallen victim to a cruel scam. The evidence provided

by both Mr K and Lloyds sets out what happened. What is in dispute is whether Lloyds should refund the money Mr K lost due to the scam.

### *Recovering the payments Mr K made*

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

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

The fact that the cryptocurrency was later transferred elsewhere – to the scammer – doesn't give rise to a valid chargeback claim against the merchant Mr K paid.

### *Should Lloyds have reasonably prevented the payments Mr K made?*

It has been accepted that Mr K authorised the payments that were made from his account with Lloyds, albeit on X's instruction. So, the starting point here is that Mr K 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 K about the payments he was making. And if it had questioned Mr K, would it have been able to prevent the scam taking place.

None of the payments Mr K made were significant in value, and they were all made to a legitimate business. Mr K had also made payments to Binance of a higher value before he made payments in relation to the scam. So, I don't think it was unreasonable that the payments Mr K made in relation to the scam did not appear to be unusual, or that Lloyds' fraud prevention systems were not triggered prompting it to step in and question Mr K about the payments he was making.

As I don't think it was unreasonable that the payments Mr K made did not trigger Lloyds' fraud prevention systems, I don't think it missed an opportunity to prevent the scam. Lloyds is therefore not responsible for Mr K'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 K to accept or reject my decision before 23 April 2024.

Terry Woodham  
**Ombudsman**