

Complaint

Mr H is unhappy that Lloyds Bank PLC didn't reimburse him after he told it he'd fallen victim to a scam.

Background

In early 2022, Mr H met a woman online, whom I will refer to as Ms M, through a widely used dating website. After initial exchanges on the site, they moved their conversations to WhatsApp. Ms M told Mr H that she was working overseas. After a few weeks of communication, she asked him for money, explaining that she needed to cover fees associated with accessing funds from her bank account in the country she was working in. She also said she needed money to pay for hotel accommodation.

Mr H made multiple payments to two bank accounts. Neither account was in Ms M's name. He was told they belonged to colleagues of hers, and that the arrangement was for him to pay them, and they would transfer funds to her via cryptocurrency. Between January 2022 and April 2023, Mr H sent multiple payments. According to Lloyds' records, the total value of those payments was a little under £40,000. During this time, he was provided with a UK address for Ms M. A friend of his visited the address and was told that someone by that name did live there but was "*working away*."

When Mr H realised he had been scammed, he reported the matter to Lloyds. Lloyds had been the bank providing an account to one of the people Mr H paid. It considered that it could've done more from its position as the receiving bank. However, it didn't agree to reimburse his losses in full. It said that, in its view, Mr H hadn't done enough to protect himself here. It also said that, as in its view the payments weren't unusual or out of character, it wasn't required to provide a warning to him in connection with them.

Mr H wasn't happy with this response and so he referred his complaint to this service. One of our Investigators reviewed the case but did not uphold it. Mr H did not agree with the Investigator's findings, so the case has now been passed to me for a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding what is fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance, standards, and codes of practice. Where appropriate, I must also consider what I believe to have been good industry practice at the time.

In broad terms, banks are expected to process payments their customers authorise, in line with the Payment Services Regulations 2017 and the terms and conditions of the customer's account. However, that is not the end of the matter. Lloyds Bank is a signatory to the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. The CRM Code requires banks to reimburse victims of authorised push payment (APP) scams unless an

exception applies. The relevant exceptions in this case are where a customer ignored an effective warning (as defined in the Code) or where the customer made the payment without a reasonable basis for believing that the person or business with whom they transacted was legitimate.¹

Lloyds says Mr H did not have a reasonable basis for belief here. I've considered the available evidence carefully and I think that's a reasonable conclusion. There is limited evidence of what was said between Mr H and the fraudster. For understandable reasons, Mr H has deleted the messages they exchanged. These might have shed light on exactly how the fraudster persuaded Mr H to make these payments. Nonetheless, I have considered the circumstances in which they were made. Mr H began sending money to Ms M after only three to four weeks of communication, which is quite a short period of time in which to establish trust. It does suggest Mr H acted hastily in agreeing to her requests. He continued making payments over a prolonged period. It doesn't seem credible that she wouldn't have had any access to her own funds for such a long period of time. Finally, the fact that the payments were not sent directly to Ms M but to third-party accounts should have been a cause for concern.

I have also considered whether Lloyds met its obligations under the CRM Code. The Code says that *"where Firms identify APP scam risks in a Payment Journey, they should take reasonable steps to provide their Customers with Effective Warnings."* We now know with the benefit of hindsight that Mr H was falling victim to a scam. The question I have to consider is whether Lloyds ought to have recognised that risk in view of the information that it had at its disposal. I've considered that point carefully, but I'm not convinced it could reasonably be expected to have identified a heightened risk of fraud here. The payments were spaced out over time, meaning they wouldn't have appeared suspicious in isolation. In addition to that, given that the later payments were made to an established payee, Lloyds would not necessarily have identified them as unusual or high risk. Additionally, the individual payments were not so high in value that they ought to automatically have been cause for concern.

I have also considered whether Mr H was a vulnerable customer as defined in the CRM Code. This is an important consideration because firms that are signed up to the CRM Code are expected to reimburse vulnerable customers, even if they did not have a reasonable basis of belief. Under the CRM Code, a customer is considered vulnerable if *"it would not be reasonable to expect that Customer to have protected themselves, at the time of becoming victim of an APP scam, against that particular APP scam, to the extent of the impact they suffered."* I understand that Mr H was divorced and that he has said he was lonely at the time. I don't doubt that those circumstances played a role in how the scam unfolded. However, I'm not persuaded that meant he was unable to protect himself from financial harm here. For that reason, I do not consider that Lloyds is required to treat Mr H as vulnerable under the CRM Code.

For the sake of completeness, I also considered whether Lloyds did everything it should've done in respect of the recovery of Mr H's funds. I can see that Lloyds confirmed that no funds remained in either receiving account. That's unsurprising given that several months had elapsed between Mr H making the final payment and the scam being reported to the bank.

I don't say any of this to downplay or diminish the fact that Mr H has fallen victim to a cruel and cynical scam. I have a great deal of sympathy for him and the position he's found himself in. However, my role is limited to looking at the actions and inactions of the bank and

¹ The full text of the exceptions can be found at R2(1) in the CRM Code. There are other exceptions too, but they aren't relevant here.

I'm satisfied it has assessed his claim under the CRM Code fairly.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 26 March 2025.

James Kimmitt
Ombudsman