

The complaint

Miss Q complains that Lloyds Bank PLC failed to refund money she lost as a result of a scam.

What happened

Miss Q wanted to rent a property and saw a suitable one via a social media platform. The “owner” of the property sent her various photos of the property, and a copy of his ID. He told Miss Q that he lived abroad and so would need her to pay a deposit – via a well-known property booking website – before he could arrange to come back to the UK to show her the property and sign a rental agreement. Miss Q was told that her deposit would be refunded if she changed her mind before signing the rental agreement.

Miss Q arranged to make a bank transfer for the deposit and was given account details of a bank overseas – she didn’t think this was unusual as she believed the property owner lived abroad. Miss Q made the payment, for £1,200, but when she went to meet the property owner at the prearranged time he did not turn up, the property also did not match the description she had been shown, and the genuine landlord of that property knew nothing about the rental. It transpired that the property booking website used to make the payment was not legitimate – it was a clone of a real website.

Miss Q realised she’d been scammed and contacted Lloyds, who attempted to retrieve the funds by sending a request to the receiving bank. The receiving bank were unable to retrieve the funds, and Lloyds declined to refund Miss Q.

Miss Q was unhappy with how Lloyds had handled her situation and brought her complaint to our service. One of our Investigators looked into what had happened but didn’t think that Lloyds should make a refund to Miss Q. The Investigator felt that the payment Miss Q made wouldn’t have stood out as unusual to Lloyds due to the way the account was normally operated, and that Lloyds had done all it could to try and recover the funds.

Miss Q disagreed and asked for a further review of his complaint which has now been passed to me for a decision.

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.

Having done so, I’ve reached the same conclusion as our Investigator, and for largely the same reasons.

It’s not in dispute that Miss Q authorised the payment herself as she thought she was dealing with a legitimate company. So as per the Payment Service Regulations 2017 (which are the relevant regulations in place here) that means Miss Q is responsible for that payment. That remains the case even though Miss Q was the unfortunate victim of a scam.

Because of this, Miss Q is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams. However, I must also bear in mind that there has to be a balance struck between Lloyds identifying payments that may indicate a customer is potentially at risk of financial harm – and responding appropriately to those concerns – and ensuring minimal disruption to legitimate payments.

Taking the above into consideration, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Miss Q, or whether it should have done more than it did.

Having considered Miss Q's account activity in the months before the scam I don't think that Lloyds should have been concerned about the disputed payment. I say that because the account had other outgoing payments of a similar size – to Miss Q's other accounts but also to some third parties – and, in the context of the payments Lloyds sees everyday, the payment was relatively small in banking terms. The only potentially unusual feature of this payment was that it was sent to an international account.

But, on its own, I don't think this was enough for Lloyds to identify that Miss Q was at risk of being scammed. Combined with the relatively (in banking terms) small size of the payment, I think that it was reasonable that Lloyds processed the payment based on Miss Q's instruction.

I've also thought about whether Lloyds could have done more to recover the funds after Miss Q reported the fraud. I'm satisfied that Lloyds did what it could, its records show it contacted the receiving bank quickly once it had been told of the scam, but the receiving bank confirmed that the funds had already been withdrawn. I also know, from experience of these kinds of cases, that scammers invariably will move the proceeds of their scams on very quickly, to avoid them being recalled. So any delay in a scam being reported, as there was here – Miss Q discovered the scam over a week after she made the payment – means that the prospect of recovery is very slim. With all of this in mind, I don't consider that Lloyds could have done more to recover the money that Miss Q has lost.

I appreciate this will likely come as a disappointment to Miss Q, and I'm sorry to hear she has been the victim of a cruel scam. However, I'm not persuaded that Lloyds can fairly or reasonably be held liable for her loss in these circumstances.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Q to accept or reject my decision before 29 February 2024.

Sophie Mitchell
Ombudsman