

The complaint

Miss K complains that Lloyds Bank PLC (Lloyds) won't refund money she lost in an investment scam.

What happened

What Miss K says:

Miss K was looking for new ways to make income to give her more financial freedom for herself and her two children – both of whom are financially dependent on her. Miss K's friend introduced her to an investment firm (which I will call 'firm X'). Her friend said she was making money with firm X, and showed Miss K evidence of that.

Miss K contacted firm X and was introduced to a trader - who called her. She was told she needed to send money to him and he would trade on her behalf, and she would then get dividends. Miss K was shown firm X's website which looked professional, and she was asked to open an accounts with firm X and at a crypto exchange.

Miss K was asked to send money to the crypto exchange and then to the trader – who would then allegedly trade with it. Her friend said she would put in similar amounts of money at the same time.

The payments made were:

Date	Payment	Amount
12 October 2020	Faster payment to crypto exchange	£2,000
26 October 2020	Debit card payment to crypto exchange	£100
22 November 2020	Debit card payment to crypto exchange	£200
27 November 2020	Debit card payment to crypto exchange	£300
5 December 2020	Debit card payment to crypto exchange	£200
12 December 2020	Debit card payment to crypto exchange	£200
18 December 2020	Debit card payment to crypto exchange	£300
22 December 2020	Faster payment to crypto exchange	£900
9 January 2021	Faster payment to crypto exchange	£1,000
22 January 2021	Debit card payment to crypto exchange	£300

26 January 2021	Debit card payment to crypto exchange	£400
26 February 2021	Credit from crypto exchange	(£65.66)
Total net loss		£5,834.34

Miss K's advisors also claimed a further payment of £2,000 on 12 October 2020 – but we have clarified this was a payment to Miss K's ISA and so wasn't sent to the scammer.

In February 2021, Miss K realised she had been scammed – she tried to make some withdrawals but wasn't able to. Her request for dividends went unanswered. The scammer cut off all communications with her.

As a result of the scam, Miss K says she suffered so much stress to the extent that she lost her job. She cannot now provide for herself and her children - and their future. She has to rely on food banks to get by. She feels guilty and distressed at what happened. She has been in hospital for a period due to high blood pressure.

Miss K says the payments should have been stopped by Lloyds. She hadn't invested in crypto currency before and yet the bank saw large amounts of money going out in relation to crypto investments. She says she went to a branch to ask if the investment looked OK; and then to report the scam – but says the bank were dismissive and did nothing to support her.

Miss K says Lloyds should refund the money plus interest at 8% per annum and compensation of £300.

What Lloyds said:

Lloyds didn't refund the payments; said they were in line with Miss K's normal account activity and weren't unusual. So for that reason, they didn't intervene and stop them. The bank said Miss K should have contacted the Financial Conduct Authority (FCA) to check out firm X.

Lloyds apologised for the service Miss K says she got in the branch. They couldn't find evidence of this but accepted what she said and paid compensation of £50.

Our investigation so far:

Miss K brought her complaint to us. Our investigator didn't uphold it. He said:

- The debit card payments weren't unusual and were in line with Miss K's normal account usage.
- The first faster payment was for a larger amount than normal but was still of a lower value which might have caused Lloyds to intervene.
- The payments weren't made in rapid succession but were sent over a period - so couldn't be seen as suspicious.
- The later payments were to a payee that had been used before – so were considered typical account usage.

- The compensation of £50 was reasonable – as Lloyds couldn't find a record of any conversations in the branch or on the telephone. But the bank accepted Miss K's testimony.

Miss K didn't agree. She said the payment for £2,000 (and because it was to a crypto exchange) was unusual and should have been stopped.

Our investigator didn't agree. So, Miss K asked that an ombudsman look at her 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.

I'm sorry to hear that Miss K has lost money in a cruel scam. It's not in question that she authorised and consented to the payments in this case. So although she didn't intend for the money to go to a scammer, she is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Lloyds should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

I need to decide whether Lloyds acted fairly and reasonably in its dealings with Miss K when she made the payments, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it doesn't apply in this case. That is because it applies to faster payments made to another UK beneficiary– and in this case, the payments were made to Miss K's own account with the crypto exchange.

I looked at Miss K's account. She used it for day to day living expenses with relatively low value payments. There were some internal transfers to her own account for between £500 and £1,200.

But on balance, while I accept this was a lot of money to Miss K, the payments in question were in fact fairly low value ones. There was also nothing else about the payments that

ought reasonably to have concerned Lloyds. And - there's a balance to be struck: Lloyds has certain duties to be alert to fraud and scams and to act in their customers' best interests, but they can't be involved in every transaction as this would cause unnecessary disruption to legitimate payments. In this case, I think Lloyds acted reasonably in processing the payments.

I considered what Miss K's advisors have said about the payment of £2,000 on 12 October 2020. I agree it was in favour of a crypto exchange. But equally, it was of a low enough value which didn't warrant the bank's intervention; and it was the first payment in the scam. So, no pattern had been established. For these reasons, I can't reasonably expect Lloyds to have intervened in this payment.

I also noted that the payments were made over a period of over three months - so there wasn't the normal pattern we might normally see with scams - where payments are typically made in rapid succession.

On Miss K's visit to the branch - Lloyds told us they don't have a record of that, nor a record of the conversation, but have accepted what Miss K said took place. I think Lloyds' payment of £50 is fair in the circumstances.

Recovery: We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Lloyds took the necessary steps in contacting the bank that received the funds - in an effort to recover the lost money.

And here, the funds went from the bank account to a crypto currency merchant and the loss occurred when crypto was then forwarded to the scammers. In this case, as the funds had already been forwarded on in the form of cryptocurrency there wasn't likely to be anything to recover.

Miss K has lost a lot of money. She's explained why the money was important to her, and the impact her losses have had. I was sorry to learn of her circumstances. She will therefore be disappointed by my decision, but I'm not going to ask Lloyds to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 6 February 2025.

Martin Lord
Ombudsman