DRN-4594346

The complaint

Mr R complains that Lloyds Bank PLC (Lloyds) didn't do enough to protect him when he became the victim of a job scam. He wants Lloyds to refund him the money he lost.

Mr R is being represented by a third party. To keep things simple, I will refer to Mr R throughout my decision.

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 was applying for jobs online and received a call from an individual offering him an online job opportunity involving task-based work.

Mr R was interested in the opportunity, and he was further convinced by speaking to the scammers on the phone and being put into a messaging group with other people who had supposedly worked for the company and were all talking about how great it was and the money they were making.

The company explained to Mr R that he would need to purchase tasks with cryptocurrency, and he would then earn commission for every task completed. Mr R was also told he would earn a salary every two days and if he was to invest £500 then the profit he would earn would be £5,000. To further convince Mr R, the scammer asked him to withdraw money from their platform to evidence the job opportunity was genuine – Mr R withdrew £200 to his crypto wallet.

However, when Mr R went to withdraw his earnings, he was initially told he would need to speak to customer services and then told that he needed to pay more money in order to access his funds. At this stage Mr R realised he'd been a victim of a scam and contacted Lloyds to explain what had happened before later making a complaint.

Mr R had made the following payments from his account with Lloyds to the scam via a legitimate crypto exchange (which I'll refer to as 'B').

Date	Transaction type	Payee	Amount
6 August 2023	Debit card	B	£15
6 August 2023	Debit card	B	£85
6 August 2023	Debit card	B	£221.09
7 August 2023	Debit card	B	£15
7 August 2023	Debit card	B	£365.37
7 August 2023	Debit card	B	£15
7 August 2023	Debit card	B	£65
7 August 2023	Debit card	B	£1,663.28
		Total:	**£2,444.74**

Lloyds didn't uphold Mr R's complaint but paid him £20 for customer service issues when he contacted it to try to get his money. Mr R remained unhappy so bought his complaint to our service.

Our Investigator looked into things but didn't think that the complaint should be upheld. They didn't think the payments were unusual due to their low value, and so they would not have triggered any fraud prevention systems that Lloyds had in place. And as Lloyds didn't interact with Mr R at the time of the payments, it didn't miss an opportunity to identify they were being made in relation to a scam. Our Investigator did however think the £20 compensation paid was fair.

Mr R didn't agree. He said in summary, that the Financial Conduct Authority (FCA) had published several warnings about B and, as a result, payments to B should have been blocked by the banks. So, he thought Lloyds should've looked at the wider circumstances surrounding the payments before processing them.

Mr R's complaint has now been passed to me for review and 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 decided not to uphold Mr R's complaint for broadly the same reasons as our Investigator. I know this will be disappointing for Mr R, so I'll explain why.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider having been good industry practice at the time.

In broad terms, the starting position at law is that a bank is excepted to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (PSRs) and the terms and conditions of the customer's account.

Mr R authorised the payments in question here – so even though he was tricked into doing so and didn't intend for his money to end up in the hands of a scammer, he is presumed liable in the first instance.

But this isn't the end of the story. As a matter of good industry practice, Lloyds should also have taken proactive steps to identify and help prevent transactions – particularly unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there is a balance to be struck: banks had (and have) obligations to be alert to fraud and scams and to act in their customers best interests, but they can't reasonably be involved in every transaction.

Taking into account the law, regulator's rules and guidance, relevant codes of practice and what I consider having 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.

In this case, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Mr R when he authorised payments from his account, or whether it could and should have done more before processing the payments.

Having considered the payments Mr R has made, I'm afraid I don't think they were significantly unusual or uncharacteristic enough for Lloyds to suspect he was at risk of falling victim to a scam – thereby warranting it to take additional steps before processing the payments.

I say this because while there were warnings published by the FCA regarding B, these explain that B isn't permitted to undertake any regulated activity in the UK. Cryptocurrency however is largely unregulated, and B is a legitimate crypto exchange. And so, I don't think the fact these payments went to B means, on this basis alone, that Lloyds should have had reason to believe Mr R was falling victim to a scam.

The payments were also predominantly of a very low value – with all by the last successful payment below £400. The payments also varied in value and weren't increasing in value incrementally (which can be a possible indicator of a scam).

The last successful payment Mr R made was greater in value (£1,663.28). But while this was for more than Mr R typically spent on his account, I must consider that it is normal for customers to make higher value transactions at times. And I don't think it was so unusual or suspicious for Lloyds to have considered Mr R was at signification risk of financial harm.

Lloyds did however block a subsequent transaction on 7 August 2023 for £1,662.33 due to it being identified as high risk. This required Mr R to contact it to discuss the payment, but it didn't interact with him until he called the next day. I think it was reasonable for Lloyds to block this payment as, by this point, the amount Mr R was trying to send to B amounted to over £3,500 across six payments on a single day. This was, in my view, unusual and suspicious enough to warrant additional checks. Fortunately, it seems Lloyd's actions here prevented further loss to Mr R.

I appreciate Mr R considers the payments he made were unusual considering his usual spending pattern, But as I've explained above, there is a balance to be struck for Lloyds between protecting their customers and allowing them to use their account legitimately – and it isn't feasible for Lloyds to be involved in every transaction a customer makes. Here, for the reasons I've explained, I don't consider the value or pattern of the transactions – prior to the final one which was declined - were unusual or suspicious enough for Lloyds to had concerns that Mr R was at risk of financial harm. It follows that I think it was reasonable for them to process them and I don't consider Lloyds responsible for Mr R's loss.

Recovering the payments Mr R made

Mr R made the payments to the scam via his debit card. When payments are made by card the only recovery option available to Lloyds 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 didn't make the debit card payments to the scammer directly, he paid a separate cryptocurrency exchange (B) before forwarding it on. This is important because Lloyds would only have been able to process chargeback claims against the merchant he paid (B), not another party (such as the scammer).

The service provided by B would have been to convert or facilitate conversion of Mr R's payments into cryptocurrency. Therefore, B 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 R paid.

I have also considered whether Mr R should receive a refund for the payments he made into the scam under the Contingent Reimbursement Model (CRM) Code. But the CRM code doesn't cover payments made by debit card so it would not apply.

I am very sorry for the situation Mr R now finds himself in – I know that he acted in good faith and has lost a lot of money as a result of a cruel scam he says has left him feeling depressed and vulnerable – but this is the fault of the scammer themselves, and I can't ask Lloyds to refund Mr R when I don't think that it has done anything wrong.

On a final note, I'm aware that Lloyds paid £20 to Mr R for service issues he experienced when he notified it, he had been scammed. Although I appreciate this would've been a distressing time for Mr R, I think the £20 is reasonable for any trouble caused as a result of poor customer service here. I therefore won't be increasing it further.

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 25 April 2025.

Israr Ahmed
Ombudsman