

The complaint

Mr S has complained that Lloyds Bank PLC didn't do enough to prevent debit card payments leaving his account after he became the victim of a scam.

Mr S has been helped in bringing his complaint by a representative. For ease of reading, I will refer to the actions and comments of the representative as being those of Mr S.

What happened

Mr S was approached, by someone he now knows to be a scammer, on social media with an e-commerce opportunity. He said the conversation with the scammer continued on a messaging app and, after doing some research, he was persuaded by the scammer that the opportunity was genuine. Mr S believed that he would be selling goods through an online store and would receive commission for selling the goods. Mr S was told that in order for the business to be most efficient he needed to transfer money to a cryptocurrency wallet held in his own name and then transfer the cryptocurrency he'd purchased to what he thought was a legitimate business but was actually the scammer.

Over the course of a couple of months Mr S made payments of £67,500 to the scammer, via his cryptocurrency wallet. He realised he had been scammed after he was unable to make withdrawals and received messages from the scammer about complaints that his online store had received.

Mr S complained about the following debit card payments made to two different cryptocurrency platforms who I will refer to as E and B:

Date	Paid to	Amount
06 July 2023	E	£1,000
07 July 2023	E	£2,000
14 July 2023	B	£5,000
17 July 2023	B	£5,000
17 July 2023	B	£5,000
17 July 2023	B	£5,000
17 July 2023	B	£5,000
18 July 2023	B	£5,000
19 July 2023	B	£5,000

20 July 2023	B	£5,000
27 July 2023	B	£800
27 July 2023	B	£300
31 July 2023	B	£1,800
1 August 2023	B	£3,000
10 August 2023	B	£4,950
24 August 2023	B	£1,400
24 August 2023	B	£5,000
01 September 2023	B	£1,350
11 September 2023	B	£1,500
14 September 2023	B	£4,400

In response, Lloyds said that on 6 July 2023 it had blocked payments to E, and another cryptocurrency platform which I will refer to as C, and that Mr S had been required to call to discuss his transactions. During a call with Mr S on 7 July 2023, Lloyds explained what a scam might look like and told Mr S that the e-commerce opportunity was “100% a scam”.

Mr S said that after the call he spoke to the scammer who persuaded him that it wasn't a scam. Mr S said he wasn't coached by the scammer, but they told him that banks didn't like customers to invest money elsewhere and that cryptocurrency was going to be regulated. He was also able to make a withdrawal from the money he had 'earned'. And, after further research, Mr S continued to make payments to the scammer.

Lloyds said it blocked a payment Mr S attempted to make on 16 July 2023 and he called again. During calls on 17 and 18 July 2023 Mr S satisfied Lloyds that he wasn't making payments to a scammer, so his account was unblocked. In response to his complaint, Lloyds said that Mr S hadn't provided accurate information in these calls and therefore it couldn't protect him from being scammed.

When Lloyds refused to reimburse Mr S for the fraudulent transactions he brought his complaint to the Financial Ombudsman Service. He said he had minimal knowledge and experience of buying cryptocurrency and was persuaded by the scammer. He thought Lloyds should have done more due diligence to protect him from making fraudulent transactions. He said it was Lloyds' responsibility to protect him from scams and it hadn't sufficiently questioned him about the transactions he'd made. He also referred to the Banking Protocol and said banks should alert the police to suspected scams. Mr S explained the considerable impact this had had on him and asked for Lloyds to reimburse the amount he'd lost.

Our Investigator didn't recommend that Mr S's complaint be upheld as she didn't think Lloyds was responsible for Mr S's loss. She didn't think Lloyds missed an opportunity to prevent Mr S making payments and she thought he was so convinced by the scammer that further interventions wouldn't have made a difference anyway. Mr S disagreed and asked for

an Ombudsman's 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.

There doesn't seem to be any dispute that Mr S has been the victim of a cruel scam. I'm sorry to hear about the impact that this has had on him, but I don't think it would be fair and reasonable to require Lloyds to reimburse Mr S for his loss. I will explain why.

My first consideration is in relation to the CRM code which can offer a potential means of obtaining a refund following scams like this one. But these payments unfortunately aren't covered under it. This is because the CRM code doesn't cover debit card payments or payments made to an account held in a person's own name – which is what happened here. I've therefore considered whether Lloyds should have fairly and reasonably protected Mr S from financial harm from fraud and prevented his loss.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Mr S authorised the payments from his Lloyds' account. Therefore, under the Payment Services Regulations and the terms of his account, Lloyds is expected to process Mr S's payments, and he is presumed liable for the loss in the first instance.

But, taking into account the relevant rules and guidance and what I consider to have been good industry practice at the time, I think Lloyds ought, fairly and reasonably, to have been on the lookout for unusual and out of character transactions that might indicate its customer was at risk of financial harm from fraud.

Where a firm like Lloyds does have grounds to be concerned about a payment, I think it should reasonably take steps to warn its customer about the risk of proceeding. Whether a warning should be provided (and, if it should, the nature and extent of that warning) should be proportionate to the risk the payment presents and strike a balance between trying to protect customers and not unduly inconveniencing them. I must also take into account that applying significant friction to all payments would be very onerous and would likely be impractical for Lloyds.

Payments Mr S attempted to make on 6 July 2023 did trigger Lloyds' fraud detection system and flag for further investigation. During the call on 7 July 2023, Lloyds explained that the payments had been flagged as having a higher than usual risk of fraud and asked Mr S questions about the purpose of the payments. Mr S was open about the e-commerce opportunity and gave the advisor the name of the company he believed he was dealing with. Lloyds told Mr S about a common scam scenario and said an online search indicated that it was a scam and that its view was that "this is 100% a scam". Lloyds asked Mr S to try to withdraw some money and, when he wasn't able to, let Mr S know this was typical of a scam. From listening to the call, Mr S appeared to accept this was a scam and said he would keep any future investments to himself, as he had previously used another platform in the past. In my view, Lloyds carried out a reasonable intervention and Mr S was prevented from making these payments.

When Mr S made payments to his cryptocurrency account held with B, a further payment was blocked, and Mr S needed to call again on 17 July 2023. In the call Lloyds asked Mr S what he was making the payments for, and he said it was "personal cryptocurrency". Lloyds asked if that is what he'd told it previously and he said it was. Lloyds also asked what he was doing with the cryptocurrency and Mr S said he was "just moving the money around, buying

some Bitcoin or cryptocurrency". I don't think this information was accurate as during the previous call he had explained about the e-commerce opportunity and discussed that he was likely the victim of a scam.

As the team he spoke to was unable to unblock Mr S's account he needed to call again on 18 July 2023. During that call, Lloyds asked Mr S if the payments could be a scam and whether he understood the risks of cryptocurrency. Mr S said that it wasn't a scam and that he had "been doing it a few years and wouldn't go to a third party as they would run away with the money". This information isn't consistent with what Mr S told us about the transactions. So, I don't think the information Mr S provided to Lloyds during the second call was accurate either. As Mr S didn't provide Lloyds with accurate information, I think it's reasonable for it to say it did not have the information it needed at that time to take action to prevent him making further payments to the scammer via his cryptocurrency wallet.

I have taken into account that from the call on 7 July 2023 Lloyds knew that Mr S was at risk of being scammed. I have also taken into account that Mr S went on to make a number of payments to cryptocurrency which look to be out of character. However, Mr S had told Lloyds that he had previously bought cryptocurrency himself which indicates that he could have been making legitimate payments. And, even if I were to decide that Lloyds should have intervened on later payments, I think it's more likely than not that Mr S would have persuaded Lloyds that he wasn't being scammed and so it would not have had cause to intervene further on those payments. This is because after being told that he was definitely being scammed, Mr S was so convinced by the scammer that he continued to make payments to them and provided inaccurate information about it to Lloyds.

Mr S told us that he did research into what the scammer had told him, that he genuinely believed the company was legitimate and at no point did he think it wasn't genuine. Mr S said the scammer built a rapport with him and he wasn't suspicious at the time. Mr S was so convinced by the scammer that even after being told by Lloyds that the opportunity wasn't feasible, 100% a scam and showing as a scam on an online search, Mr S was more persuaded by the scammer. So, I think it's more likely than not that Mr S would have continued to persuade Lloyds that he wasn't the victim of a scam during any further reasonable interventions.

I've also considered whether, on being alerted to the scam, Lloyds could reasonably have done anything to recover Mr S's losses, but I don't think it could. The only possible option for recovery here, given the payments were made by debit card, would have been via a chargeback claim. But given these payments were for the purchasing of cryptocurrency with legitimate firms, I don't think a chargeback claim would have been successful as Mr S received the service he paid for. As such, I think it was reasonable for Lloyds not to have raised a chargeback claim here.

I'm sorry to disappoint Mr S but I am not going to require Lloyds to do anything further and I do not uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 20 March 2025.

Sarann Taylor
Ombudsman