The complaint

Miss E complains that Lloyds Bank Plc won't refund money she lost when she was a victim of a crypto investment scam.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In 2023 Miss E fell victim to a crypto investment scam. She came across a firm, which I'll refer to as 'L', from a 'trader friend' she approached on a social media website when trying to find referrals for her employer at the time. Under the belief the investment opportunity – which utilised AI software to trade in crypto - was legitimate, Miss E made the following payments to L's trading platform via a legitimate crypto exchange:

Transaction date	Type of transaction	Amount
25 September 2023	Debit card	£500
26 September 2023	Credit	£500
30 September 2023	Debit Card	£500
15 October 2023	Debit card	£1,000
19 October 2023	Debit card	£350
22 October 2023	Debit card	£1,000
8 November 2023	Debit card	£200
13 November 2023	Debit card	£1,000
15 November 2023	Debit card	£1,000
16 November 2023	Debit card	£1,000
17 November 2023	Debit card	£1,000
21 November 2023	Debit card	£1,000
24 November 2023	Faster payment	£1,764
24 November 2023	Faster payment	£900
25 November 2023	Credit	£900
27 November 2023	Debit card	£300
28 November 2023	Debit card	£1,000
30 November 2023	Debit card	£1,000
1 December 2023	Debit card	£1,000
	Total loss:	£13,114

Miss E realised she'd been scammed when, after paying various fees, she hadn't received the promised returns. And so, she raised the matter as a complaint with Lloyds.

Lloyds responded to the complaint and agreed to refund £5,032 – that being 50% of Miss E's losses from 13 November 2023 onwards – plus 8% simple interest and £50 compensation. This was because Lloyds thought they could've done more to protect Miss E from the scam when she visited one of their branches about an unsuccessful £4,000 payment she tried to make on 8 November 2023. Lloyds noted that Miss E remained under the influence of the scammer when they spoke with her. In the circumstances they consider that rather than removing the block on her account, as they did, they could've asked her to watch fraud and scam videos or requested the police attend. Had this happened, they think it may have been possible to break the spell of the scam, and Miss E may have decided not to go ahead with the further payments.

Lloyds acknowledged Miss E had referred to some difficult personal circumstances but they didn't think this stopped her ability to critically assess the information or judge the believability of the investment opportunity. And so, Lloyds thought Miss E could've done more to protect herself from the scam too. They said L isn't registered within the UK and doesn't appear on the Financial Conduct Authorities (FCA) register – and any organisation wishing to offer such services in the UK would be required to register with them. Lloyds also noted that there were internet search results available at the time of the scam that indicated L's website may not have been genuine.

Lloyds further added that they attempted to discuss the payments with Miss E on several occasions and provided warnings that it could likely be a scam. Despite this, Miss E ignored these warnings even though she'd referred to finding the profits too good to be true. Lloyds also referenced Miss E having only known this trader friend, which introduced her to L, for a few months and hadn't met them in person. And so, it would've been difficult to truly believe this person was genuine and had Miss E's interest at heart. As such, Lloyds didn't think there was enough to give Miss E a reasonable basis to believe the investment was genuine and they considered she missed opportunities to protect herself from the scam.

The complaint was referred to the Financial Ombudsman, with our Investigator thinking it should be upheld it in part. In short, she said:

- Lloyds spoke with Miss E throughout the scam, including a conversation on 2 October 2023 about the £500 payment (that she made on 30 September 2023). This conversation gave Lloyds an opportunity to identify whether Miss E was at risk of financial harm. Their call notes indicate they had fraud concerns as Miss E was telling them she wanted to invest in crypto with the support of a trader friend and, although it seemed too good to be true, it would change her life if it worked out. And that her trader friend had shown her he'd received a £750 profit from a £2,000 investment in only a few days.
- From this, she thought Lloyds ought to have identified Miss E was at significant risk of falling victim to an investment scam – due to there being clear red flags such as investing in crypto with a third party, too good to be true returns being promised and the payment being made via legitimate firms (as multi-stage payment journeys are used by scammers to avoid detection).
- Had Lloyds questioned Miss E further about the payment, based on the subsequent conversations that took place, she thought Lloyds would've confirmed this suspicion. And so, Lloyds should've told Miss E she was likely being scammed – as they did in their 8 November 2023 call – and referred her to branch. Lloyds has accepted they should've done more when Miss E visited the branch on 9 November 2023 – including invoking banking protocol. She agreed this would've been an appropriate action albeit, it should've happened sooner.
- A police intervention would've likely been more impactful and resonated with Miss E more than the warnings Lloyds did provide. And so, the spell could've been broken at the point of 2 October 2023 (regarding the 30 September 2023 payment).
- Miss E should however also bear some responsibility for her loss too. This was because:
  - Miss E ought to have carried out some due diligence before proceeding with the investment opportunity. From carrying out a historical internet search,

  - there was little information about L available – and the absence of information evidencing L's legitimacy should've been suspicious.
  - Miss E was assisted by a 'Mr S' and there was easily accessible information online at the time of the scam payment indicating him to be a known fraudster/scammer.
  - Considering Miss E's previous experience as a fraud and cyber-crime adviser, as well as a financial crime case handler, it would've been reasonable to have expected her to find this information. And for her to have realised the likely risk of an investment being a scam whereby the returns offered were too good to be true.
  - Although Miss E has explained she was vulnerable at the time due to some tough personal circumstances, she thought Miss E should've reasonably conducted these checks and been able to identify the risk of potential fraud.
- She thought Lloyds should refund, in addition to what they'd already refunded, 50% of Miss E's loss before 13 November 2023 - totalling £1,525. And that they should also pay 8% simple interest.

Lloyds agreed with our Investigator's recommendation. Miss E did not and so, the matter has been passed to me to decide. In short, she added:

- Mr S is a genuine trader, not her trader friend and she hadn't received any help from him. He is a person from the UK that has an internationally prominent business that teaches people how to trade – holding talks, seminars and training worldwide. His business is genuine an incorporates AI trading. She studied Mr S and AI bot software prior to investing, and AI software is being used everywhere and people have made a lot of money using it.
- Her trader friend is a person she met through social media. He didn't approach her or force to do/join anything. But when asked how he made money, he explained trading in crypto and property investing. Intrigued by what he said, she was then shown L and how he'd profited from them himself.
- This friend is from the UK, like herself, but moved abroad – with a genuine social media page that shows friends, a partner and pictures of his holidays. He showed her a payment from the platform that included pay-outs from L which made it look genuine. She's spoken with this friend over the phone on WhatsApp.
- They were both given an account manager called 'N'. N can be found on the internet and across social media, teaching trading to others. If he is a scam then he is easily accessible. She conversed with N through Telegram – and Telegram shows you are genuine with a blue tick, which he had.
- She was new to this type of trading and when she enquired about the high returns, she was told it was due to the AI bot software which is a new concept for investors.
- There are genuine investments with AI bot software being used who charge a fee to withdraw. And when reviewing social media and YouTube videos there were reasons why she thought it was legitimate.
- Although she can no longer find them, she was provided certificates from L that showed they could trade and were covered by the Federal Trade Commission (FTC). And L's website showed a telephone number, email and address – which added to her thinking it was genuine.
- She looked L up on the internet but didn't find any negative reviews – thereby reassuring her it was ok.
- She provided a link to a website that included a news snippet of a 'Ms S' – a well known trader all over the internet. She thought she was speaking to Ms S as her account manager on telegram – and so, this was further reason as to why she thought L was legitimate.

Our Investigator also added:

- She wasn't saying Mr S was the trader friend but rather, that he did help Miss E. And while she isn't disputing there may be a genuine trader known as Mr S, an internet search shows there are many scams linked to his name – which could be by impersonation.
- Nevertheless, that information was available and something she considered Miss E could reasonably have found and taken into consideration.
- She hadn't found much information about the trader friend but, having looked up N, there are multiple scam reports available – albeit there wasn't much information found on historical searches.
- There was little information available evidencing the legitimacy of L. And, considering Miss E's previous experience, she ought reasonably to have identified the risk of it being a scam given the returns being offered were too good to be true.

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 appreciate Miss E feels very strongly about this matter and that, in support of her complaint, she has put forward a number of points for my consideration. I'd like to reassure Miss E that I've given careful consideration to all the evidence provided. So, I'd like to reassure her that if I don't mention a particular point, it's not because I haven't considered it, but I've focussed instead on what I believe to be important to the outcome of this complaint. And having carefully considered everything, I've come to the same outcome as our Investigator and for largely the same reasons.

Lloyds has accepted they could've done more to protect Miss E from the scam. And while they initially only refunded 50% of the scam payments she made from 13 November 2023 onwards, they've since agreed with our Investigator's recommendation to refund those made before this – thereby refunding 50% of all Miss E's loss to the scam (plus 8% simple interest per year).

Having looked at what happened, I agree that Lloyds ought to have carried out a more effective intervention on 2 October 2023 regarding the £500 payment Miss E made on 30 September 2023. This includes invoking banking protocol – which Lloyds accept they ought to have done when she later visited one of their branches. Had this happened, it's likely the spell Miss E was under from the scammer would've been broken and her losses avoided. As this isn't disputed, I don't consider it necessary to set out my reasons for this in detail here. Instead, my decision will focus mostly on whether I consider Miss E contributed to her own loss and should therefore bear some responsibility for it by way of contributory negligence (which might justify a reduction in compensation). I'll explain why I think she should.

Beyond Lloyd's requirement to protect customers from the possibility of financial harm from fraud, there's also an expectation that customers protect themselves too. I've therefore thought about whether Miss E did enough to protect herself from this scam – and, if she didn't, whether this contributed to her loss. I appreciate Miss E unknowingly fell victim to what appears to be sophisticated scam and believed what L was telling her. But when considering Miss E's role in what happened, I've thought about her previous employment – that being a fraud and cyber-crime adviser and a financial crime case handler. This is because these job roles ought to have provided her with a greater awareness of the risks of financial scams, as well as the knowledge of what steps she might take to try to protect herself from them. And I think there were sufficient reasons for Miss E to have been put on notice to the possibility of L not being legitimate. This includes:

- It would've been reasonable to have expected Miss E to have carried out additional checks – beyond relying on L's own website and social media - before proceeding with the investment. I wouldn't necessarily expect a reasonable person to carry out a forensic investigation of an investment firm. But I think it's reasonable to have expected Miss E to have carried out a basic level of due diligence and, having carried out my own historical internet search of L, there doesn't appear to have been anything to evidence that it was a legitimate trading firm. And the absence of such information should've appeared suspicious to Miss E - as there would typically be accessible information online about legitimate trading firms (such as reviews).

- The investment opportunity was recommended to Miss E by her trader friend – whom she'd found on social media and hadn't met in person. Although Miss E had found this person for her own employment purposes, and he hadn't sought her out, I think it should've been seen as unusual to receive an investment recommendation from a person she hadn't met in person and where the relationship wasn't expected to be one that involved financial advice being provided.
- In calls with Lloyds, Miss E referred to the investment opportunity and the returns promised as sounding too good to be true. And so, Miss E should've had reasons to question whether the investment was genuine.
- Although Miss E says Mr S didn't help her invest with L, but rather he similarly incorporates AI with trading and she studied him before investing, there was a lot of easily accessible information online at the time indicating him being connected with scams. Although these scams could potentially be from people impersonating Mr S, as Miss E says he is a genuine trader, this should've nevertheless put Miss E on alert to the possibility of there being a risk of scams with this type of investment opportunity.
- Lloyds warned Miss E that the investment could be a scam but she ignored their advice and proceeded to make the payments – and she seemed dismissive and frustrated with Lloyds' security checks. I think it would've been reasonable for Miss E to have been concerned by her bank's warnings, thereby prompting her to consider whether she should take greater precaution before proceeding.
- Miss E says she received certificates from L that showed they could trade and were covered by the Federal Trade Commission (FTC). Although it wouldn't always be reasonable to expect a victim of fraud to have double checked documentation they'd received, in this situation and considering the above, Miss E could've contacted the FTC to ensure the certificates were indeed genuine.
- Miss E says she spoke with N and Ms S about the investment opportunity. While these individuals do have a social media and internet presence relating to trading, there doesn't appear to be anything online to indicate they're linked with L.

I'm aware that Miss E has referred to being vulnerable at the time due to some difficult personal circumstances. While I've considered this, I'm not persuaded it impacted her to the extent she was unable to assess information, carry out checks on L or that it affected her judgment when deciding whether to invest. And so, considering the above, both individually and collectively, I think there were enough reasons for Miss E to have had concerns about the legitimacy of L – particularly when considering her employment experience. It follows that I think Miss E should've, in light of such concerns, taken greater caution before proceeding. And this would've reasonably included taking additional steps such as seeking independent financial advice, carrying out a further review of L and the other individuals Miss E has referred to online, and researching scams online.

Had Miss E done so, she would've likely realised L were using methods commonly used by scammers to defraud her. And I consider a financial adviser would've confirmed this too – given the identifiable 'red flags' of the investment. Because of this, I think Miss E could've avoided falling victim to the scam had she taken some reasonable steps before proceeding with the investment opportunity. I therefore think Miss E is equally responsible for the loss she suffered. It follows that I think it would be fair and reasonable to make a 50% reduction in the award based on contributory negligence in the circumstances of this complaint.

Given Lloyds has already refunded 50% of Miss E's losses from 13 November 2023 onwards, they only need to refund 50% of her losses prior to this – thereby refunding a further £1,525. Lloyds should also pay 8% simple interest to recognise the loss of use of money Miss E has suffered.

My final decision

My final decision is that I uphold this complaint in part. I direct Lloyds Bank Plc to:

- Refund £1,525.
- Pay 8% simple interest, per year, calculated from the date of each payment to the date of settlement less any tax lawfully deductible.

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

Daniel O'Dell
Ombudsman