

The complaint

Mr K complains that Lloyds Bank PLC did not reimburse the funds he lost as part of a scam.

What happened

Mr K was contacted by a company who said they could help him recover the funds he had lost in an investment. He was told he needed to pay various fees and insurance in order to facilitate the recovery. Unfortunately, this was a scam and Mr K sent the following payments to three separate accounts held with Lloyds:

- **Beneficiary 1:**
18/05/2022 £2,000
- **Beneficiary 2:**
10/05/2022 £2,000.00
13/05/2022 £5,000
- **Beneficiary 3:**
04/05/2022 £2,000.00
05/05/2022 £3,280.56
09/05/2022 £4,000.00

Mr K received £1,784 back from beneficiary 2, however none remained in the other two accounts for recovery. He raised a complaint with Lloyds, however they declined to reimburse him further.

Mr K referred the complaint to our service and our investigator looked into it. They felt that Lloyds should have had concerns about the account activity on beneficiary 1's account in 2019, and had they taken appropriate action then, Mr K's loss could have been prevented. So, they recommended a refund of the £2,000 he sent to beneficiary 1, plus 8% simple interest. However, they did not agree that Lloyds had made errors in regards to beneficiary account 2 and 3, so didn't recommend a refund for the payment Mr K sent to those.

Lloyds accepted the findings and agreed to refund the £2,000 along with 8 % simple interest for the time he did not have the funds. However, Mr K did not agree as he still felt he should receive a full refund and Lloyds should have taken steps to question the account holders about the payments.

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.

Lloyds has signed up to the Contingent Reimbursement Model (CRM) Code. The CRM Code sets out what is expected of the 'Sending Firm' and 'Receiving Firm' (in this case Lloyds) when payments are made or received.

In summary, the obligations for the receiving firm state that firms should:

- Take reasonable steps to prevent accounts from being used to launder the proceeds of Authorised Push Payment (APP) scams.
- Have procedures to prevent, detect and respond to the receipt of funds from APP scams; and
- Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

So, with this in mind, I have carefully considered Lloyds' obligations here.

Lloyds has shared information with this Service as part of its obligations under the CRM code which has allowed me to investigate Mr K's complaint – though I am limited to what I can share with Mr K due to Data Protection laws, as this information is confidential. However, I would like to reassure him that I have carefully reviewed all information provided before issuing my decision. I do understand that Mr K feels we should be able to share information with him and that the Data Protection laws mainly protect scammers. However, this is not something I am able to change or override in the circumstances.

Banks, Building Societies, and other Payment Service Providers (PSP's) have long standing obligations to ensure that their services aren't being used for fraudulent or illegal activities – so I would expect there to be extensive procedures in place for account openings to prevent accounts from being opened for these purposes.

However, complaints about receiving banks and any acts or omissions came into our jurisdiction from 31 January 2019 – and is not retrospective. I've seen evidence from Lloyds to show that the receiving bank accounts for beneficiaries 1 and 2 were opened before 31 January 2019. This means I'm not able comment on whether there were any failings by Lloyds when these accounts were opened. However, the account for beneficiary 3 was opened after 31 January 2019, so I am able to comment on if Lloyds followed the correct process at the time.

Having looked over the evidence provided by Lloyds, I think they followed their internal procedures correctly so I can't see they made an error when opening the account. So, I don't think they could reasonably have known the account would be used for fraudulent purposes and prevented Mr K's loss at that point.

Mr K made the payments in May 2022, so I've gone on to consider whether the activity on the receiving bank accounts ought reasonably to have caused Lloyds any concern. Lloyds have accepted that they should have had concerns about the beneficiary 1 account in 2019, and if they had taken reasonable steps at the time Mr K's loss of £2,000 could have been prevented. In summary, I also agree this is the case, so I see no reason to discuss this beneficiary in more detail.

For beneficiary 2 and 3, whilst data protection reasons mean I can't share any information with Mr K, I don't think there was anything relating to the activity on the account that should have prompted Lloyds to have any concerns prior to Mr K making the payments to the accounts. So, I don't think Lloyds could have done more to prevent his loss in relation to those accounts.

I've finally considered Lloyd's action on receipt of notification of the scam. Unfortunately, by the time they were made aware, the majority of the funds had already been removed from

the beneficiary accounts. All that remained was £1,784 which they sent back to Mr K. On balance, I'm satisfied that once they were notified of the scam, Lloyds took appropriate action.

Putting things right

Lloyd should refund the £2,000 payment and apply 8% interest for the time Mr K was out of pocket.

My final decision

I uphold Mr K's complaint in part and recommend the redress outlined above.

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

Rebecca Norris
Ombudsman