

## **The complaint**

Mr M complains that Lloyds Bank PLC did not refund the £605 he lost to a scam.

## **What happened**

On 18 July 2021, Mr M transferred £605 to an individual to purchase a phone online. When the seller blocked him and he did not receive the phone, he realised he had been the victim of a scam. Mr M raised a scam claim with Lloyds to try and recover his loss.

Lloyds issued a final response letter in which they explained they had reviewed the payment under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. The CRM Code requires a firm to reimburse victims of APP scams that fall under its provisions, unless a firm can demonstrate that one of the exceptions to reimbursement apply.

Lloyds did not agree to reimburse Mr M as they did not think he had a reasonable basis to believe the seller was legitimate. This was because Mr M had been the victim of another goods purchasing scam related to a mobile phone purchase just five days before. And when Mr M was scammed a year prior, Lloyds had provided him with general scam education, so they felt he should have been more wary about buying items online via bank transfer.

Mr M referred his complaint to our service and our Investigator looked into it. They agreed with Lloyds and they felt the value of the payment was low enough that a warning was not required before it was processed. Because of this, they did not think Lloyds needed to reimburse Mr M under the CRM Code.

Mr M disagreed with the outcome and asked for an ombudsman to review it. As an informal agreement could not be reached, the complaint has been passed to me for a final 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.

I have not received any evidence of the scam from Mr M, such as the listing for the mobile phone or the conversations between himself and the scammer. I can see on his statements that Mr M made a faster payment on 13 July 2021 to a payee that appeared to be linked to mobile phone sales, and this ties in with his testimony. And I can see that for the payment on 18 July that this complaint is about, Mr M put his own name as the reference, which is commonplace when purchasing goods.

I have therefore reviewed the payment under the CRM Code, which provides additional protection to victims of authorised push payment ("APP") scams.

The starting point under the relevant regulations and the terms of Mr M's account is that he is responsible for transactions he's carried out himself. However, Lloyds are signatories to the CRM Code and, taking into account regulators' rules and guidance, codes of practice and what I consider to have been good industry practice at the time, should have been on

the lookout for unusual and out of character transactions to protect its customers from (among other things) financial harm from fraud.

I've first considered whether Lloyds should refund Mr M under the provisions of the CRM Code. Lloyds seek to rely on one of the exceptions to reimbursement, that Mr M made the payment without a reasonable basis for believing that they were for genuine goods or services; and/or the seller was legitimate.

Mr M has told us that he had tried to purchase a phone online just five days prior to this payment. However, the following day he had been blocked by the seller and he realised he had been scammed. I therefore think Mr M should have been wary about purchasing goods online via bank transfer, as he appears to have repeated the same actions he took five days before when he was initially scammed.

I note that Lloyds say they provided Mr M with scam education the year before this payment was made, following a goods purchasing scam related to a tracksuit he tried to buy online. I appreciate Mr M has said he does not recall this, but I think Lloyds took steps to try and educate Mr M about the dangers of making bank transfers for goods online from private sellers.

With all of the above in mind, I think that Mr M should reasonably have been more cautious about making the payment. And I don't think he had a reasonable basis to believe the seller or the goods were genuine. I therefore think Lloyds acted fairly when it relied on the exception under the CRM Code and did not reimburse Mr M.

I've considered if there was any other reason why Lloyds should have been aware Mr M may be at risk of financial harm, as I would expect it to intervene in unusual or out of character transactions to try to prevent customers falling victims to scams. However, I just don't think the payment itself was so unusual as to warrant intervention by Lloyds. It was not of a high value and did not look out of place when compared to his genuine account activity.

Lloyds have confirmed that they attempted to recover the funds from the beneficiary account, but unfortunately none remained. Generally speaking, a scammer will move fraudulent funds out of an account as soon as possible. As Mr M did not report the scam for a few days, it is not unusual that no funds were left to recover.

Having carefully reviewed everything available to me, I think Lloyds has acted fairly when it declined to reimburse Mr M under the CRM Code. I therefore do not recommend that Lloyds reimburse Mr M in the circumstances.

### **My final decision**

I do not uphold Mr M's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 October 2024.

Rebecca Norris  
**Ombudsman**