DRN-4684796

The complaint

Mr S complains that Lloyds Bank Plc (Lloyds) won't refund him after he was the victim of an investment scam. He says Lloyds ought to have detected four unusual payments he made and it should have intervened to stop them

What happened

Mr S says he was persuaded to invest money with the relative of a very close friend of his. His friend told him he had been receiving regular trading profits from his own investment with his relative. Mr S says he had previously met his friend's relative and had exchanged emails with him prior to investing. He was assured he could achieve regular growth of around 4% per month on his investment.

Mr S made a series of transactions, as follows:

Date	Payment type	amount
03 June 2019	International payment	£100
13 June 2019	International payment	£100,000
13 June 2019	International payment	£80,000
18 June 2019	International payment	£79,900

Mr S says that by February 2022 he had become concerned about his money and emailed his friend's relative to cash-in his investment, but he received no response. His friend later told Mr S that his relative had left his trading company and stopped trading.

He believes he has been the victim of fraud and thinks his friend's relative didn't invest his money in the first place. He has provided copies of the trading accounts of a company he says his money was supposed to be invested in and can't see a deposit into the account that corresponds with the amount of money he transferred to the bank account of his friend's relative.

Mr S complained to Lloyds on 18 March 2023. He said the transactions were unusual and Lloyds should have intervened. He was impressed with the questions Lloyds asked him when he reported the fraud and said if Lloyds had intervened in the transactions and asked probing questions at the time, he wouldn't have invested.

Lloyds didn't uphold Mr S's complaint. It said it thought this was a failed investment, rather than a scam and it wouldn't refund his money.

Our investigator also thought the evidence was insufficient to persuade her that Mr S had been the victim of a scam. But she said that even if it was a scam, she didn't consider Lloyds could have reasonably prevented the scam from taking place. She concluded that Lloyds ought to have intervened at the time of the second transaction and asked Mr S some questions about it, as it was a very large, unusual payment. But she considered that, at the time, Mr S thought the investment was legitimate and the questions Lloyds might have posed, if it had intervened, are unlikely to have uncovered any scam or deterred him from investing.

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.

My starting point is to consider whether there is sufficient evidence to show that a fraud has taken place. Having considered all that has been provided, I'm not persuaded there is sufficient evidence the initial payments were part of a fraud.

I've been provided with email correspondence between Mr S and his friend's relative, dated between 29 May 2019 and 18 June 2020. It's clear they were discussing Mr S investing with his friend's relative and a transfer of money was arranged. The investment fund is not named in the emails and neither is the broker firm. There is a further email dated 25 June 2019, where Mr S's friend's relative says the money was received and was on its way to a trading account.

Mr S has provided copies of statements from his friend's relative's personal bank account, held with an overseas bank. It shows Mr S's money was received into the account. Mr S has also provided statements from a trading account his friend's relative held with an overseas company, which Mr S says was the intended destination for his money. He says the bank statements show his money entering his friend's relative's bank account, but there is no corresponding transfer out to an investment fund. On that basis, Mr S thinks his money was never invested.

I've also been provided with a statement which appears to be from an investment fund, provided to Mr S by his friend's relative and indicating an investment by Mr S for £260,000 on 18 June 2019. It appears to show the position with Mr S's investment around July 2020 and shows investment growth, although not at the levels Mr S says he was told to expect.

I've also considered an email purportedly from the friend's relative to Mr S, apologising for losing his money, but suggesting that he didn't set out to mislead and had the best intentions to make a good return for everyone involved.

The evidence shows Mr S transferred money to his friend's relative's personal bank account to invest in an unnamed investment. Some or all of the money appears to have been paid out of the friend's relative's account, but to a variety of payees and not obviously to an investment.

I accept there is a real possibility that Mr S has been the victim of a scam, but there is insufficient evidence to persuade me that this is more likely than not what happened. There is also a real possibility that Mr S's friend's relative did invest money on his behalf, perhaps paid into the investment in part from his personal bank account, or another account, and he lost his money through a failed investment. But even if I accepted that Mr S *had* been the victim of a scam, I don't accept that Lloyds is responsible for his loss.

I agree with the investigator that Lloyds ought to have intervened when Mr S made the second payment. I wouldn't have expected the first payment, of £100, to have caused any particular concerns, but the second payment, of £100,000, was large and unusual. I consider it would have been appropriate for Lloyds to have called Mr S, and I would have expected probing questions to have been asked, such as:

Did you authorise the payment?

What is the purpose of the payment?

How did you hear about the investment and have you researched it?

Have you been promised returns that seem too good to be true or have the risks of investment been downplayed?

But I’m not persuaded the answer to those questions would have caused either Lloyds to take further action or Mr S not to have invested. Mr S seems to have initiated contact with his friend’s relative, seeking to invest, due to the returns his friend was receiving. It appears his friend, who he had known for many years and who he trusted, had been able to access some of his returns and there was no indication this might be a scam at that point. He was investing with someone he knew and the evidence indicates Mr S knew there was risk attached to the investment and had some experience of investment, albeit Mr S says this was limited.

Had Lloyds spoken to Mr S and warned him further of the risk of investing and encouraged Mr S to be sure of the legitimacy of the investment, I’m not persuaded he would have acted differently. There appears to have been no negative publicity about the investment at the time and I think he would have relied on his trusted friend’s positive experience of the investment, which it seems was his main reason for investing.

Overall, I consider an intervention, with appropriate questions from Lloyds about the investment is unlikely to have resulted in the scam being uncovered or Mr S deciding not to invest. Given this, and the lack of evidence to persuade me this was most likely a scam, I don’t uphold Mr S’s complaint.

My final decision

I do not uphold Mr S’s complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr S to accept or reject my decision before 18 November 2024.

Greg Barham
Ombudsman