The complaint

Mrs C complains that Lloyds Bank PLC ('Lloyds') blocked a transaction and about the service she was provided with.

What happened

In September 2023 Mrs C attempted to make a payment of £7,200 via internet banking to the account of an individual she hadn't previously paid. Lloyds blocked the transaction and asked Mrs C to make contact to answer some security questions.

Mrs C called Lloyds' payment verification team. She was told that the payment had been picked up as high risk, so Lloyds wanted to make sure she wasn't falling victim to a scam. When asked for the reason for the payment, Mrs C said because she wanted to, it was her money, and she was of sound mind. The advisor explained that Lloyds have seen a lot of fraud recently and that sometimes customers don't tell the truth in calls and then get back in touch to say they are the victims of a scam.

Mrs C told Lloyds that she was paying a builder for work done at her home. She was asked further questions around whether the work had been completed, why she was paying an individual, how she found the builder and how the payment details were communicated. Initially Mrs C said she found the builder on a social media platform but later said her husband found the builder. She stressed that the work had been done and she wanted to pay and should be trusted to do so.

Ultimately, the Lloyds advisor said he wasn't happy to make the payment as there was a high chance Mrs C was falling victim to a scam. Mrs C was unhappy with this and asked to speak to a manager. A manager wasn't available, and the advisor set up a complaint for Mrs C and said a manager would contact her in fifteen working days.

Lloyds investigated Mrs C's concerns and said that it handled the call appropriately, followed the correct procedures when the payment was blocked and had steps in place to protect customers' accounts. It said that there are times when a manager isn't available to speak to a customer and offered to credit Mrs C's account with £35 in recognition of the inconvenience caused.

Mrs C was unhappy with Lloyds' response and brought a complaint to this service. She says the whole matter has taken a lot of time and caused her stress.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. She said Lloyds acted reasonably in intervening when the payment was made, asking probing questions and not processing the payment. The investigator referred to Lloyds' obligations to look out for unusual payments and said it did what this service would expect it to do. Turning to Mrs C's request to speak to a manager, the investigator said that Lloyds could have offered a return call in a shorter timescale, but this service doesn't have the power to require firms to change their systems. But the investigator noted that Lloyds' offer to credit Mrs C's account with £35 remained open to Mrs C to accept directly.

Mrs C didn't accept the investigator's findings, so the complaint has been passed to me to decide. I have summarised her main points below:

- She doesn't believe Lloyds treated her fairly or reasonably and as an adult of sound mind she has a primary responsibility to protect her account. She questions why her right to choose how to spend her money was taken away after she had passed relevant security checks.
- The reason for stopping the payment should be clear, consistent and transparent - and backed by evidence to avoid bias.
- The questions asked by the Lloyds advisor were intrusive and arbitrary.
- The CRM Code referred to by the investigator aims to protect vulnerable customers, but she doesn't fall in that category. And nowhere in the CRM Code does it say banks have autonomy over how a customer chooses to spend their money.
- It was unreasonable to ask her to attend a branch when branches have been closed and it would take her 45 minutes by public transport to attend one. This means customers who live further away are being discriminated against.
- The payment was subsequently made by her husband from another account. Mrs C queried why he was able to make the same online transaction to the same payee without being questioned.
- The work was completed so she can't understand how fraud can have taken place.
- Lloyds referred to a duty of care, but nobody checked on her welfare, so this isn't correct.

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.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

The starting point under the relevant regulations (in this case, the Payment Services Regulations 2017) and the terms of Mrs C's account is that she is responsible for payments she's authorised herself. Banks generally have a contractual duty to make payments in compliance with the customer's instructions. But banks also have longstanding obligations to look out for unusual and out of character transactions which may indicate a customer is at risk of financial harm.

Lloyds' August 2023 terms and conditions (which applied at the time of the transaction) say:

"***When can we stop you making a payment?***

We can stop you making payments, if we reasonably think it is necessary:

- *to keep your account secure*

…

Where we reasonably suspect a payment instruction involves illegal or fraudulent activity, we may ask you to take further checks to check the payment is not illegal or fraudulent or to give you time to cancel your payment before we process it. We might do this where we think it is likely someone has tricked you into making the payment.

In these circumstances we may:

- *not accept the payment instruction until you have provided confirmation that you have taken further steps and have confirmed the payment is genuine; or*
- *pause our processing of your instruction…"*

Lloyds' terms and conditions go on to say that where it, or the systems it uses, still reasonably suspect the payment instruction is fraudulent after further steps have been carried out, it can refuse to make the payment. So, I'm satisfied that Lloyds' terms and conditions allow it to make further checks and to ask a customer to take further steps before processing a payment if it considers a payment request involves fraudulent or illegal activity.

Lloyds is also a signatory to the Lending Standards Board's Contingent Reimbursement Model Code ('CRM Code'). Two of the three aims of the code are to reduce the occurrence of APP (authorised push payment) scams and to minimise disruption to legitimate payment journeys. The CRM Code places obligations on banks that have signed up to it:

"*Sending Firms should take reasonable steps to protect their Customers from APP scams. This should include procedures to detect, prevent, and respond to APP scams*.

The CRM Code goes on to say that firms should take appropriate action to identify payment authorisations that run a higher risk of being associated with an APP scam and should use data and analytics to identify such payments. The CRM Code also says that where a firm has sufficient concern that a payment may be an APP scam, it should take appropriate action to delay the payment while it investigates. Lloyds is also under a duty to protect Mrs C from foreseeable harm.

Lloyds say that its fraud detection systems identified the transaction Mrs C was making as high risk. Transactions can be flagged in this way for various reasons, including the value of the transaction or the frequency of payments.

I have reviewed Mrs C's statements for the twelve-month period before the transaction was made. Having done so, I'm satisfied the transaction was so unusual and out of character that I consider Lloyds ought reasonably to have intervened and asked probing questions to ensure Mrs C wasn't at risk of financial harm. It was much larger than any other transaction Mrs C had made and was to a new payee. The highest value transaction on Mrs C's account prior to the payment request was for £1,600, and this was a transfer to someone who appears to be a family member. So, a payment of £7,200 to a new payee stood out.

I'm satisfied that Lloyds acted in accordance with the terms and conditions of Mrs C's account, its obligations under the CRM Code and its wider obligations in blocking the transaction.

I've gone on to consider how the Lloyds advisor dealt with the intervention call. The advisor initially explained that the transaction had been picked up as high risk and that he wanted to make sure Mrs C wasn't falling victim to a scam as a bank transfer is like giving cash. He went on to ask Mrs C why she was making the payment. Mrs C said because she wanted to, it was her money, and she was of sound mind. The advisor explained that Lloyds had seen a lot of fraud and that customers who lie to Lloyds in calls call back later to say they have been the victims of a scam. Mrs C then disclosed the payment was for work done at her home.

Based on the payment reason given, the advisor asked Mrs C additional questions aimed at common scams associated with such payments – as I think he should. The conversation was difficult as Mrs C didn't want to share any information. Whilst the Lloyds advisor explained there was a scam risk, I consider he could have gone further and explained the common types of scams relating to the payment purpose and provided context so that Mrs C could understand why Lloyds required additional information. As the expert, Lloyds was aware of common scams Mrs C could be falling victim to. Such scams include paying in advance for work that is then not completed and intercept scams where payment details are intercepted by fraudsters so that funds are diverted to a fraudster's account.

It's possible that had the Lloyds advisor provided context Mrs C may have been more open. But I'm also aware that when the advisor discussed the prevalence of scams Mrs C was clear that she didn't think Lloyds should ask her personal questions and that she believed verifying her was enough.

Given that I'm satisfied that speaking to Mrs C about the transaction was reasonable, I think that at most any minor failing by Lloyds prolonged the conversation with Mrs C. I note the payment was then made by Mrs C's husband from another account, so there was very little inconvenience. As a result, I don't consider a compensation payment is appropriate in this case.

Some of the responses given by Mrs C were concerning to someone with expert knowledge of fraud and scams. When asked whether she had called the payee to confirm the payment details Mrs C said she could do but wouldn't. Mrs C had said she found the builder on social media (from where many scams originate), she had paid an individual and didn't know a company name, hadn't checked the account details, and gave conflicting information. So I don't consider Lloyds acted unreasonably in not making the payment during the call.

I can understand Mrs C's frustration at not being able to speak to a manager during her call with Lloyds. The advisor then told her that she could raise a complaint and would receive a call within 15 working days. A call back should have been offered before this. Lloyds has already offered Mrs C £35 in respect of this error, which I think is fair. If Mrs C wishes to accept this offer, she should contact Lloyds directly.

I turn now to some of the points raised by Mrs C in response to the investigator's view. Mrs C says she can't have been the victim of a scam because the person she was paying had completed the work. But, as the Lloyds advisor told Mrs C, scammers can give victims cover stories in an attempt to ensure fraudulent payments are processed. The Lloyds advisor, as an expert in fraud and scams, asked Mrs C reasonable questions aimed at preventing common scam types including interception scams where fraudsters give false payment details. People can fall victim to scams of this nature after work has been completed.

Mrs C has questioned why the same payment was processed without any intervention from Lloyds when her husband made it from their joint account. I'm looking at the individual circumstances of Mrs C's complaint so I can't provide an informed answer. But it could be because the activity on the other account was different meaning that the payment didn't stand out as unusual and out of character.

Overall, I understand Mrs C's frustration at being asked questions about the transaction but recognise that Lloyds was trying to protect her.

My final decision

For the reasons given, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 26 June 2024.

Jay Hadfield
Ombudsman