

The complaint

Mr F complains that Lloyds Bank PLC (Lloyds) won't refund money he lost in an investment scam.

What happened

What Mr F says:

Mr F was looking to make more money to meet household bills and to prepare for retirement. He saw an advert on Facebook which was apparently endorsed by a well know TV finance personality. It promoted bitcoin investment. He registered his interest on the linked website and was contacted by a 'financial advisor'. Over a period, Mr F came to trust the advisor and took part in several pre-arranged calls.

Mr F was guided how to set up an account on the investment website – which looked professional and genuine. The scammer helped Mr F download Anydesk screensharing software on his phone and helped him open an account at another bank (which I will call bank A). The scammer had Mr F's username and password for the investment site.

The scammer had access to Mr F's account at bank A and at Lloyds via the Anydesk app. Mr F made payments from his Lloyds account to his new account at bank A, and then from there the scammer moved money to the 'investment' website. Mr F was shown various live trading graphs and was convinced the opportunity was genuine.

The scammer groomed Mr F into taking out three loans to fund the investments – totalling £30,000. Mr F was impressed with the apparent initial returns he was shown, and continued to send money to the 'investment' as shown:

	Date	Payment	Amount
1	24 July 2023	<i>Faster payment – Mr F's account at bank A</i>	£50
	24 July 2023	Credit from Mr F's account at bank A	(£20.50)
	25 July 2023	Loan	(£9,999)
2	27 July 2023	<i>Faster payment – Mr F's account at bank A</i>	£4,000
3	27 July 2023	<i>Faster payment – Mr F's account at bank A</i>	£6,000
	3 August 2023	Loan	(£10,000)
4	3 August 2023	<i>Faster payment – Mr F's account at bank A</i>	£10,000
	8 August 2023	Loan	(£10,000)

5	8 August 2023	Faster payment – Mr F's account at bank A	£10,000
	Total loss		£30,029.50

Mr F was convinced things were going well and after payment number five, borrowed a further £25,000 from Lloyds – as groomed by the scammer. This was paid into his Lloyds account and when Mr F tried to send it to bank A, it was blocked – on 13 August 2023. Mr F's account was suspended and he was asked to visit a branch. And when he did, he was shown scam videos by the branch team and then he realised he had been scammed.

As a result of the scam, Mr F lost £30,000, and now has to pay back the three loans he took out. He suffers from sleepless nights due to constant anxiety and worry. He feels embarrassed to share what happened with friends. He is now in financial difficulty and struggles to pay bills.

Mr F says Lloyds should've done more to protect him. He says there wasn't any effective intervention by the bank – he did get calls from Lloyds, but they only went as far as asking if he wanted to make the payments. He wasn't asked probing questions, such as questioning why he was borrowing money and then sending it to another bank. Those were clear 'alarm bells' which Lloyds should've seen and not made the payments.

Mr F says Lloyds should refund the money, plus interest at 8% per annum and compensation of £250.

What Lloyds said:

Lloyds said the Contingent Reimbursement Model (CRM) Code didn't apply because the funds were sent to an account in Mr F's name. And because the loss occurred at the point when Mr F sent the funds from his account at bank A, he should ask bank A for the money back.

No funds could be reclaimed by Lloyds from bank A as they had been moved from there to the scam website investment.

Lloyds further commented that the scammer arranged a loan in Mr F's name for £25,000, but as the agreement hadn't been signed by Mr F, they wrote the loan balance off. If that was the case with the other three lenders, Mr F should ask them to follow the same principles. Mr F should approach those firms.

Our investigation so far:

Mr F brought his complaint to us. Our investigator didn't uphold it and said:

- The first payment couldn't be considered suspicious as it was for a low value.
- But Lloyds intervened in payments two, four and five, including a requirement for Mr F to attend a branch.
- But Mr F wanted to go ahead despite the warnings from Lloyds, and so the payments were put through.
- He said that in response to Lloyds' questions, Mr F wasn't honest about the purpose of the payments. And therefore, he considered Lloyds couldn't have done anymore to

prevent the scam.

- If Mr F had been honest on the calls, it was likely that Lloyds would've stopped the payments. But unfortunately, that wasn't the case.
- Even though there was no intervention in payment number three, he said it wouldn't have made any difference.

Mr F didn't agree. He said Lloyds should've invoked the banking protocol and called the police – that would've prevented the scam.

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'm sorry to hear that Mr F has lost money in a cruel scam. It's not in question that he authorised and consented to the payments in this case. So although Mr F didn't intend for the money to go to a scammer, he is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Lloyds should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

I need to decide whether Lloyds acted fairly and reasonably in its dealings with Mr F when he made the payments, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it doesn't apply in this case. That is because it applies to faster payments made to another UK beneficiary– and in this case, the payments were made to Mr F's own account with bank A.

The first consideration here is: if the payments were of a sufficient size and was out of character with how Mr F normally used his account – then we would expect Lloyds to have intervened and spoken to him.

I can see that Mr F used his account for low value, day to day purchases and receipt of a fortnightly salary. Payments were of a low value – usually below £50 and always below £100. So – it is fair to say that the fraudulent payments to bank A were unusual. And – they were funded by loans of a like amount just before the payments were made – so it's reasonable to have expected Lloyds to intervene – which the bank did.

Lloyds blocked the second payment for £4,000 and then the fourth and fifth payments (each for £10,000).

I listened to the six calls between Mr F and Lloyds regarding those payments. I'm satisfied Lloyds asked the necessary probing questions at each stage. The bank asked:

- Have you downloaded bank A's app or Anydesk screen sharing software?
- How did you find out about bank A?
- Why are you using bank A?
- What's the purpose of the payments?
- Did someone coach you to open the account at bank A?
- Are these payments for crypto investments?
- Have you received calls from anyone asking you to make these payments?
- Why are you transferring money to bank A – it doesn't make sense?
- Have you been contacted via social media?
- The loans coming in just before the payments are signs of a scam.
- Lloyds gave Mr F several warnings about typical scams.

Mr F didn't answer honestly – and because of that I can't reasonably expect Lloyds to do any more than they did. Mr F said (and repeated many of the points several times):

- He wasn't sure if he'd downloaded the bank A or Anydesk apps.
- A long-standing friend recommend bank A.
- He was using bank A because they offered better interest rates and he didn't get the same hassle when making payments.
- The payments were variously described as being for home improvements, buying and selling cars and motorbikes, building/ renovating a garage.
- No one had coached him to open the account at bank A.
- The payments were not for crypto investments.
- He hadn't received any calls or contacts through social media.
- He didn't transfer money from Lloyds (to the builders) as it was easier from bank A/ using bank A as a different 'pot'.
- He said the payments were not 'iffy' and were not part of a scam.
- He said it was his money and it was up to him what he did with it – and because of the hassle he was getting from Lloyds, he would close his Lloyds account.

After the referral of the second payment, Mr F was asked to visit a branch with ID – which he did. And after speaking to the fraud team from the branch (and more questions as above were asked) the payment was released.

I considered whether Lloyds should've stopped the third payment for £6,000. But this was made later the same day after the payment for £4,000 had been referred. And so – Lloyds had the same information from the earlier calls. And even if Lloyds had blocked the payment for £6,000, I'm persuaded that Mr F would've given the same answers as on the other calls – and the payment would've been made.

Mr F has argued that Lloyds should've invoked the banking protocol – which meant referring him to a branch and calling the police. But I'm satisfied that Lloyds did all they could in the calls between Mr F and their specialist fraud team. And even if the banking protocol had

been invoked, I'm persuaded that Mr F would've stuck to his story about the payments – and it would not have had any affect in any case.

Later in the scam, Lloyds blocked and then cancelled a further payment for £25,000 after lending Mr F the money. Mr F said the loan was for 'home improvements'. But as the loan had been set up by the scammer, Mr F hadn't signed the loan agreement – and Lloyds wrote off the loan and refunded the money. But as this wasn't part of Mr F's claim that I'm reviewing, I won't detail this anymore.

But it does appear that as it was the scammer that posed as Mr F to take out the Lloyds loan – it was likely the same was done for the other three loans. And so, Mr F may wish to approach the other three lenders for those loans to be cancelled also – but I can't comment on the circumstances surrounding those applications, or whether the loans can be written off.

Recovery

We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Lloyds took the necessary steps in contacting the bank that received the funds – in an effort to recover the lost money. Lloyds said they didn't contact bank A – but I'm persuaded that had they done so, no funds would've remained – as Mr F had by then moved them into the bitcoin trading platform.

I'm sorry Mr F has had to contact us in these circumstances. I accept he's been the victim of a cruel scam, but I can't reasonably hold Lloyds as responsible for his loss.

My final decision

I do not uphold this complaint.

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

Martin Lord
Ombudsman