

The complaint

Mr J complains that Lloyds Bank PLC didn't treat him fairly after he lost money to an email interception scam.

Other complaints concerning the same scam are the subject of separately issued decisions. This decision solely concerns the complaint about Lloyds Bank PLC.

What happened

Mr J holds a personal account with Lloyds. In 2022, Mr J was in the process of purchasing a property for investment purposes.

He received an email that appeared to be from his solicitor asking him to make payment. Unbeknown to Mr J at the time, that email had originated from a fraudster. As a result, Mr J made a payment of £25,000 from his Lloyds account to a beneficiary account controlled by the scammer, rather than to his solicitor.

Initially Lloyds was unable to recover his funds. Furthermore, Lloyds didn't think it needed to reimburse Mr J. Mr J didn't accept this outcome and asked our service to review the matter impartially.

Our Investigator considered what had happened. He thought Lloyds ought to have partly reimbursed Mr J. He thought the bank ought to have identified the payment Mr J was making as being a higher than usual risk of loss through fraud and scam. The bank should have contacted Mr J to ask about the circumstances of the payment before processing Mr J's payment instruction. Had it done so, the scam would readily have been uncovered.

However, he also thought Mr J should share responsibility for the loss because there had been a number of red flags surrounding the payment request that Mr J ought reasonably to have identified at the time. He said Lloyds should have reimbursed Mr J half of the amount he'd lost — the sum of £12,500.

Subsequently, it turned out that Mr J's payment had been frozen in the payee's account and remained to be recovered. The beneficiary bank was able to return the full sum Mr J had sent from his Lloyds account.

Following the return of these funds, our Investigator reassessed Mr J's complaint. Given the full £25,000 payment had by now been returned to Mr J, that loss had been extinguished and Lloyds was no longer liable to reimburse the 50% the Investigator had previously recommended.

But the Investigator remained of the view that had the funds *not* been returned he'd have asked Lloyds to pay £12,500. He'd have awarded that sum from the date of the payment and added interest to cover the period up to the date the funds were returned to Mr J's account.

Part of that period of interest was now being paid by the beneficiary bank. That bank accepted it could have returned the funds sooner than it did. With that in mind he thought it

was fair that Lloyds should pay interest at 8% simple per year to cover the periods where the interest wasn't being paid by the beneficiary bank. And that interest should be paid by Lloyds on the £12,500 he'd found it should have originally refunded to Mr J.

Lloyds agreed. Mr J didn't accept the Investigator's findings. He requested the matter be reviewed by an Ombudsman and that a final decision should be issued on the matter.

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.

Having done so, I have reached the same outcome as that reached by our Investigator, and for broadly the same reasons.

I am sorry to hear about the loss Mr J suffered through this scam and the impact it had on him. However, despite my natural sympathy for him, I have to recognise that the principal cause of his loss to this scam, and the impact that had, were the actions of the criminal scammers who carried out the deception. I cannot hold Lloyds liable for the resulting financial losses unless I find Lloyds was somehow at fault, and that any loss was a direct consequence of that fault.

And in broad terms, as a starting point in law, Lloyds has an obligation to carry out payment instructions given to it by its customers. In short, a customer will normally be presumed liable for payments they instruct their bank to make on their behalf.

That being said, as a matter of good industry practice, I consider it is fair and reasonable to expect Lloyds to have been on the look-out for the possibility of harm through fraud, and further, to have taken additional steps or made additional checks, before processing payments in some circumstances.

I think the nature of the payment Mr J asked Lloyds to make here was such that Lloyds ought to have taken such additional steps prior to processing the payment. This payment was significantly larger than was typical for Mr J's account. It was being made to a new payee (an account he'd never paid previously). And the payee's name (input by Mr J when he'd set up this new payee) had returned only a partial match result under the Confirmation of Payee system.

With these factors present, I think a proportionate response by Lloyds would have been to contact Mr J to ask him about the context and circumstances surrounding the payment — in order to reassure itself the payment wasn't likely to lead to financial harm through fraud or a scam.

Lloyds did not take this step. But had it done so, I've seen nothing to indicate other than that Mr J would have been open and honest with the bank about the circumstances leading him to make the payment. The type of scam that occurred here, a so-called invoice interception or email interception scam, is one that has been well known for some years. The hallmark of such a scam is the receipt by email of changed or new payee details. Upon hearing this was how Mr J had been provided with the details I think it would rightly have prompted him to wait until he'd been able to check the payee information with the conveyancer by phone — before sending the payment. I think he'd likely have done so (especially given he'd already attempted to call) and that this would have prevented the loss he incurred from this payment.

So, I think it is right that Lloyds bears a share of the responsibility for the loss incurred from this payment.

I've gone onto consider whether Mr J should bear any responsibility for that loss. In doing so, I've considered what the law says about contributory negligence, as well as what I consider to be fair and reasonable in all the circumstances of this complaint.

I recognise that there were some factors that made this scam seem convincing. Mr J was in the process of purchasing a property and so was expecting to be asked to make such a payment. The request appeared to originate from his conveyancing solicitor. But there were other factors I think reasonably ought to have prompted concern on Mr J's part about what he was being asked to do.

The payment was ostensibly being made to Mr J's conveyancer for the house purchase. But Mr J had been asked to make payment to an account held in the name of a completely different company. That company appears to be related to clothing or garments (in both name and in the entry for a limited company bearing the same name on Companies House). It bore no obvious relation to conveyancing. Mr J explains he thought maybe this was the result of his conveyancing solicitor's wife perhaps being involved in work related to clothing.

I've taken into account what Mr J has said on this point. I've also taken account of Mr J's description of his solicitor, including that he operated in a very disorganised fashion. But even accepting Mr J's points about the solicitor and his wife, I'm not persuaded this should have reassured Mr J that he was indeed sending money to his solicitor. He was paying a company that bore no obvious connection to the conveyancing service, and even had the account belonged to a clothing company run by the solicitor's wife that does not strike me as a place it would be reasonable to expect the conveyancer to ask for the property funds to be sent (rather than paying the conveyancer's account directly or a client account).

And furthermore, these payee details differed from those he'd been provided with in a letter from his solicitor detailing the client account less than a month before the scam occurred. I think Mr J should reasonably have had concerns about these anomalies. This was not a small sum of money to be transferring. This should have prompted significant doubts about what he was being asked to do by an email.

With all of this in mind, I think it is fair that Mr J in those circumstances should bear a share of the responsibility for the loss resulting from this payment. I think a fair proportion here is for Lloyds and Mr J to share the loss equally, reflecting what I consider to be their respective contributions to what happened.

I have considered whether a larger or additional award might be due to Mr J for any other reasons, but I do not think that is the case. For the avoidance of doubt, the outcome would be no more favourable to Mr J through application of the Lending Standards Board's Contingent Reimbursement Model Code (the CRM Code).

The CRM Code provides for reimbursement of scam claims, but it says a firm need only reimburse half the loss in certain circumstances (the code's exceptions to full reimbursement). I consider Lloyds could correctly have relied on the relevant exception to full reimbursement under the terms of the CRM Code. Lloyds would be responsible for no greater share of the loss than I have already found it should bear.

With all of that being said, Mr J has had the full value of the payment returned to his account — this having been recovered by the beneficiary bank. However, there was a significant delay between the date Mr J made the payment and the date on which it was returned to his bank account.

I've explained above why it is fair that Lloyds and Mr J share equal responsibility for the

payment being made. If the money had not already been refunded to Mr J (through recovery by the beneficiary bank) I'd have required Lloyds to repay him £12,500. To that I'd have added interest at a rate of 8% simple per annum, to reflect the time he was deprived of the funds. This would have been calculated from the date he made the payment to the date it was returned to him.

In this case, Mr J made the payment on 31 October 2022. He received the full value of the payment back to his account on 31 July 2023.

I'd have awarded interest on the sum of £12,500 that I think Lloyds was liable for (at the rate of 8% simple interest per year). That should have covered the time between the payment and the return of the funds, so from 31 October 2022 to 31 July 2023.

The beneficiary bank did not return the funds to Lloyds as quickly as it could have (as I have addressed in a separate decision). I required that bank to pay the portion of interest that Lloyds would otherwise have paid in respect of the period from 16 November 2022 to 28 July 2023, reflecting the period of delay in the beneficiary bank returning the funds.

In the circumstances, I think it is fair and reasonable that Lloyds should now pay the interest due to cover the period *not* being paid by the other bank. In other words, that Lloyds should pay 8% simple interest per year, on the £12,500 I find it was liable for, calculated from 31 October 2022 to 15 November 2022, and from 29 July 2023 to 30 July 2023.

Putting things right

I uphold this complaint in part and require Lloyds Bank PLC to:

- pay Mr J interest on the sum of £12,500, calculated at the rate of 8% simple per annum for the period from 31 October 2022 to 15 November 2022, and for the period from 29 July 2023 to 30 July 2023.¹

My final decision

For the reasons given above, I uphold this complaint in part and require Lloyds Bank PLC to put matters right as I have explained.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 18 April 2025.

Stephen Dickie
Ombudsman

¹ If Lloyds Bank PLC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr J how much it's taken off. It should also give Mr J a tax deduction certificate if he asks for one, so he may reclaim the tax from HM Revenue & Customs if appropriate.