

The complaint

Mr W complains that Lloyds Bank Plc didn't do enough to protect him from the financial harm caused by an investment scam, or to help him recover the money once he'd reported the scam to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In August 2023, Mr W was contacted on social media by someone who I'll refer to as "the scammer" who said she'd met him at a bar. Mr W didn't recall ever having gone to the particular bar, but he continued to communicate with the scammer.

The scammer's tone was flirtatious and led him to believe they were developing a romantic relationship. She told Mr W where she lived, and often spoke about meeting up but needing the money for transport. They never met or spoke over the phone.

At the beginning of September, the scammer told Mr W she'd fallen behind with her rent, she feared she would be evicted, and had borrowed money from loan sharks. She asked him to lend her money so she could pay the loan sharks who had threatened to hurt her and continued to add interest to the money she owed. He agreed to lend her the money on the basis she would pay him back and because he believed they were in a relationship.

Mr W sent money to Lloyds from an account he held with Bank H, and from there he made payments to an account in his name at a money remittance service which I'll refer to as "WU". Between 14 September 2023 and 16 November 2023, Mr W made 33 debit card payments totalling £28,232.70 to WU before then forwarding the funds to account details provided to him by the scammer.

He began to panic as the amount of money the scammer asked for increased, but she told him this was the only way to get his money back because she'd be able to pay her bills and get a loan to pay him back. He eventually told his parents when he ran out of money, and they alerted him to the fact he'd been scammed.

On 24 November 2023, Mr W's father complained to Lloyds on his behalf arguing that it should have intervened when he made the payments. But Lloyds refused to refund any of the money he'd lost, stating he'd authorised the transactions and could have done more to protect himself. It also said it couldn't raise a chargeback dispute because the card payments were for money transfer services, and the service was provided. It further explained it didn't feel it needed to discuss the payments and it's likely he authorised the payments because he wanted to help the person.

Mr W wasn't satisfied and so he complained to this service. He has said that if Lloyds had asked why he was making the payments he'd have realised something wasn't right, just as he did when he was alerted to the scam by his parents. He explained he'd struggled to believe he'd been scammed and continued to communicate with the scammer. He asked for

his money back, but she told him she'd share compromising content with his parents, at which point he finally accepted he'd been scammed.

Lloyds further argued that Mr W had received an unsolicited message from someone who said she'd met him in a bar that he'd never visited, which ought to have raised concerns. He never met the scammer in person because she always cancelled the arrangements, and she started asking him for money after a month. It also commented that he didn't try to verify who he was speaking to or ask for any proof of what he was supposedly paying for.

It explained that Mr W had paid a genuine account in his own name, the payments were spaced over three months and the transactions weren't covered by the CRM code because they were debit card payments to an account in his own name.

Our investigator didn't think the complaint should be upheld. He accepted Mr W had been scammed but he didn't think any of the card payments Mr W had made between 14 September 2023 and 9 October 2023 were unusual or concerning because they were spread over a number of days, they were authorised through SMS text message, and the amounts weren't concerning. He also commented that as Mr W didn't speak to or interact with Lloyds staff at the time of the payments, he didn't think it had missed an opportunity to identify the payments were being made in relation to a scam.

However, he thought the fourth payment Mr W made on 16 October 2023 for £1,003.90 ought to have raised concerns because of the velocity of payments and the overall amount he paid to the same payee that day. He thought Lloyds should have contacted Mr W and questioned him about the payment.

But he didn't think an intervention from Lloyds would have changed the outcome. He explained Mr W had received warnings from WU telling him not to send money to somebody he hadn't met in person. He was also questioned by WU on 30 September 2023, 1 October 2023, and 5 October 2023, and each time, he stated he was sending money to a friend to pay rent and living expenses, and that he knew the recipient 'in person'.

He also noted Mr W had described that he'd felt sorry for the scammer and thought he was "keeping her safe" by sending her money. He also commented that Mr W had stated that even when his parents were certain he'd been scammed he didn't want to believe it and had continued to communicate with her. In fact, it was only when she began blackmailing him for further funds that he believed he'd been a victim of scam.

Mr W has asked for the complaint to be reviewed by an Ombudsman. He's argued that there was no account activity before 14 September 2023, apart from a £4.99 direct debit and so Lloyds should have contacted him to discuss the payments. He believes that if he'd tried to make the payments in a branch a member of staff would have questioned the transactions, triggering to same response as the conversation with his parents.

He's argued that he answered WU's questions honestly and while he accepts he didn't want to believe he'd been scammed, he did accept it and only continued to communicate with the scammer because he wanted some proof that they were asking for money and promising to pay him back.

He accepts he withheld some details in the original conversation he had with Lloyds, but the blackmail hadn't yet happened.

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've reached the same conclusion as our investigator. And for largely the same reasons. I'm sorry to hear that Mr W has been the victim of a cruel scam. I know he feels strongly about this complaint, and this will come as a disappointment to him, so I'll explain why.

I've thought about whether Lloyds could have done more to recover Mr W's payments when he reported the scam to it. Chargeback is a voluntary scheme run by Visa whereby it will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them after two 'presentments'. Such arbitration is subject to the rules of the scheme — so there are limited grounds on which a chargeback can succeed. Our role in such cases is not to second-guess Visa's arbitration decision or scheme rules, but to determine whether the regulated card issuer (i.e. Lloyds) acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of its cardholder (Mr W).

Mr W's own testimony supports that he sent money to WU and from there the funds were transferred to other accounts in the scammer's control. I'm satisfied that WU provided the service that was expected of it, so any chargeback was destined fail. Therefore, I'm satisfied that Lloyds' decision not to raise a chargeback request against either of the cryptocurrency exchange companies was fair.

I'm satisfied Mr W 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although he didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of his bank account, Mr W is presumed liable for the loss in the first instance.

There's no dispute that this was a scam, but although Mr W didn't intend his money to go to scammers, he did authorise the disputed payments. Lloyds is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

I've thought about whether Lloyds could have done more to prevent the scam from occurring altogether. Lloyds ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Mr W when he tried to make the payments. If there are unusual or suspicious payments on an account, I'd expect Lloyds to intervene with a view to protecting Mr W from financial harm due to fraud.

The payments didn't flag as suspicious on Lloyds's systems. I've considered the nature of the payments in the context of whether they were uncharacteristic of how Mr W normally ran the account and I agree some of them were unusual. All the payments were to an account Mr W had opened for himself at WU, which is a legitimate money remittance service. I accept this was a new payee, but the first twelve payments weren't particularly large and so even though the account had previously been used for small payments, I don't think Lloyds needed to intervene.

However, our investigator has explained that on 16 October 2023, Mr W made four payments to WU totalling £3881.60 and I agree that the pattern and cumulative sum of the spending ought to have raised concerns and that Lloyds ought to have provided Mr W with a written scam warning.

I've considered whether this would have made any difference to Mr W's decision to make the payments and I don't think it would. This is because a written warning is unlikely to have been detailed or impactful enough to have alerted Mr W to the scam, particularly as it's clear he genuinely believed he was in a relationship with the scammer and that she needed his help.

I accept there was some truth in what he said to WU in that he did think he was paying a friend for rent and living expenses, and that she hadn't threatened to send compromising content to his parents by the time he first contacted Lloyds. But contrary to what he said to WU, he hadn't met her in person, and he accepts he didn't fully accept he'd been scammed until the scammer threatened to send compromising material to his parents. This tells me it's unlikely a written warning from Lloyds would have stopped him from making further payments, especially as he'd remained in contact with her after his parents got involved.

So, while I agree Lloyds did miss an opportunity to intervene, I don't think this represented a missed opportunity to have prevented his loss.

Compensation

The main cause for the upset was the scammer who persuaded Mr W to part with his funds, and I haven't found any errors or delays to Lloyds' investigator, so I don't think he's entitled to any compensation.

Recovery

I don't think there was a realistic prospect of a successful recovery because Mr W paid an account in his own name and moved the funds onwards from there.

I'm sorry to hear Mr W has lost money and the effect this has had on him. But for the reasons I've explained, I don't think Lloyds is to blame for this and so I can't fairly tell it to do anything further to resolve this complaint.

My final decision

For the reasons I've outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 23 October 2024.

Carolyn Bonnell
Ombudsman