

The complaint

Mrs M complains Lloyds Bank PLC trading as MBNA is holding her liable for a loan which she says was taken out fraudulently in her name.

What happened

Around September 2023 Mrs M came across a company, C, claiming to offer a low-risk investment opportunity. She says C claimed to be connected to a well-known public figure, and to hold international offices – including in the UK. Mrs M decided to invest with them. Unfortunately, C were operating a scam.

In November 2023 MBNA received, and approved, an application for a £10,000 loan in Mrs M's name. It paid the funds into her bank account, and she sent them on. The money was ultimately lost to the scam.

Mrs M says the application was completed by the scammers without her knowledge or agreement. She has explained that she had been asked to pay various fees to withdraw from C's investment platform – and thought the money coming in was being paid by companies affiliated with C to help fund this.

When the scam came to light, Mrs M asked MBNA to cancel the loan but it didn't agree. Unhappy with this response, Mrs M referred the matter to our service. She said the loan had been lent irresponsibly.

MBNA then told our service it would remove/refund the normal interest due under the loan contract. But it didn't agree to write off the loan in full.

Our investigator found the application used Mrs M's genuine contact details. The funds were then paid into her account, and Mrs M sent them on (albeit due to being tricked by the scammers). In the circumstances, the investigator thought MBNA could still fairly seek repayment of the capital.

Mrs M has appealed the investigator's outcome. In summary she says she didn't apply for the loan – and the scammers had complete access to her personal information including remote access to her devices. The loan was unaffordable for her and irresponsibly lent. She was put under pressure and tricked by a sophisticated scam; she never thought she would need to repay the lending. In the circumstances, and given the impact of the scam, it's unfair for MBNA to pursue her for the loan or report it on her credit file.

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 agree with the investigator that MBNA's offer to write off the loan interest (but not the capital) is a fair way to resolve this complaint. I appreciate this will be very disappointing for Mrs M – who has clearly fallen victim to a scam. I've set out below how I've reached my conclusions.

I'm aware of the overall impact this scam has had on Mrs M. The wider context is that several loans were taken out, and several accounts were used to pass on the funds, during the scam. I've considered complaints from Mrs M about each firm involved, as I needed to consider their responsibilities individually. But I have considered the cases together – and have taken on board the overall context, and the overall impact on Mrs M, when deciding each case.

MBNA has now agreed to waive the interest that would normally be enforceable under the loan agreement. But it is still seeking to recoup the £10,000 it paid Mrs M. I accept she has lost these funds to the scam. But that in itself doesn't mean it would be fair for me to instruct MBNA to "write off"/stop pursuing this debt and remove it from her credit file.

Mrs M says she didn't complete the application herself. I accept that seems plausible. However, for the reasons I've set out below, I think she was aware of the loan application made on her behalf.

I can see the email address used on the application was one Mrs M had access to and used when reporting the scam. I appreciate Mrs M has explained the scammers had remote access to her emails. But she would also have had access to these messages. If the scammers were trying to conceal that the funds Mrs M received were proceeds from a loan, it would be risky to do this – as it meant she had access to any emails about the lending.

Mrs M has provided a document from C, referring to an "amendment to loan agreement" between Mrs M; her bank; C; and a "third-party loan firm (referred to collectively as "the Parties"). She says she thought the companies who provided the loans taken out during the course of this scam were partners of C's and were providing funds as part of the required process to withdraw from C's platform.

This document – which is dated around the time of this application – says the loan firm, as a partner of C, has agreed to provide an interest-free loan. It doesn't set out a loan amount. It goes on to say:

"a. Prior to the requirements of the Withdrawal, the Customer and the Loan Firm shall enter into a regular loan agreement, which shall govern the terms and conditions of the Loan. b. Once the Withdrawal is complete, the regular loan agreement between the Customer and the Loan Firm shall be terminated and replaced by this Agreement. c. Upon the replacement of the regular loan agreement, the terms and conditions of this Agreement, as outlined herein, shall govern the ongoing relationship between the Customer and the Company."

So, it does set out that loans will be taken out with third parties. Furthermore, for two of the loan applications which Mrs M says she didn't make and didn't know about, she had phone contact with the lenders during the application process – during which she referred to having applied for loans, claiming they were being taken out to fund home renovations (which she has explained she did as the agreement said to follow C's instructions).

I appreciate C tricked her into thinking this loan agreement (and others) would be superseded by their agreement. I also accept Mrs M may not have completed the MBNA loan application directly. But in the context of the loan agreement document she has provided from C, it appears to me that she was effectively authorising them to take out this loan (and others) on her behalf.

I also appreciate the points Mrs M has raised about why she thinks the lending was irresponsibly granted. However, MBNA has agreed to remove any additional charges – meaning it is only asking for the capital to be repaid. And it says it's open to engaging with Mrs M about setting up a plan that is affordable for her.

Ultimately, it's agreed Mrs M was aware she had received these funds from MBNA – as she has confirmed that she transferred them on from her bank account (to ultimately be paid into the scam). In those circumstances, while I appreciate Mrs M was tricked about how the funds would be used, and thinks the lending was granted irresponsibly, I consider it fair for MBNA to seek to recover the money it paid her. However, I would expect it to treat Mrs M with forbearance and due consideration when engaging with her about this debt.

As I've decided MBNA can seek repayment of the loan capital, I think it can fairly report this debt on her credit file. That's because it has a duty to ensure data it reports on a consumer's credit file is fair, accurate, consistent, complete and up to date.

My final decision

Lloyds Bank PLC trading as MBNA has already made an offer to refund any interest charged on top of the £10,000 capital balance, and I think this offer is fair in all the circumstances. So, my final decision is that Lloyds Bank PLC trading as MBNA should waive (or refund, in the event some of it has already been repaid) this interest.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 14 May 2025.

Rachel Loughlin
Ombudsman