

## The complaint

Ms T complains that Lloyds Bank PLC (Lloyds) is refusing to refund her the amount she lost as the result of a scam.

## What happened

Ms T interacted with a friend on a social network, and this was her only method of communication.

Unbeknown to Ms T, her friend's social network account had been hacked by a scammer and Ms T thought that her friend had liked an investment. The scammer, pretending to be her friend, told her about an investment mentor and course. And gave her screen shots of successful investments and likely profits. Also, she assured her it wasn't a scam and added her as a friend to the scammer's social network account.

Thinking the scammer was a recommended mentor, Ms T followed the scammer's instructions, downloaded an APP for a cryptocurrency exchange platform and, via this platform, made a £600 investment from her Lloyds debit card.

When the scammer asked for further payments Ms T became suspicious. She contacted her friend on another social network APP, discovered she had been scammed and didn't make any further payments.

Ms T contacted Lloyds explaining her vulnerability and looking for a £600 refund.

However, Lloyds declined a refund and said she should've spoken to them before making the payment and they considered *'more investigation could have been done by you to ensure you were speaking to your genuine friend and a representative of a legitimate investment company.'*

Ms T escalated her complaint to our service. However, our investigator didn't uphold her complaint saying, *'at the point of this payment it (Lloyds) wouldn't have had reason to suspect Ms T was falling victim of a scam'.*

As Ms T remains dissatisfied her complaint has been referred to me to look at.

## 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, although I'm very sorry to hear about Ms T's vulnerability and to learn that she has been a victim of such a cruel scam, I'm also not upholding this complaint. And I'll explain why.

It isn't in dispute that Ms T has been tricked by a cruel scammer into making a debit card payment. The evidence provided by Ms T and Lloyds sets out what happened and the

dispute here is about whether Lloyds should refund the £600 Ms T unfortunately lost to the scammer.

However, even when it is clear that a scam has taken place, and an individual has been tricked out of their money, it doesn't necessarily follow that a business will need to refund the money that has been lost.

Under the Payment Services Regulations 2017 (PSR) and in accordance with general banking terms and conditions, banks should execute an authorised payment instruction without undue delay. The starting position is that liability for an authorised payment rests with the payer, even where they are duped into making that payment. There's no dispute that Ms T made the payments using her security credentials, and so they are considered authorised.

But in accordance with the law, regulations and good industry practice, a bank should be on the look-out for and protect its customers against the risk of fraud and scams so far as is reasonably possible. If it fails to act on information which ought reasonably to alert a prudent banker to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result.

I first considered whether Lloyds should've recovered the payment.

Ms T made a payment into the scam, using her debit card, via a legitimate cryptocurrency exchange. When a payment is made by debit card, the only option available to Lloyds to recover the funds is to request a chargeback from the merchant.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder. Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed.

Ms T was dealing with the scammer but didn't make the debit card payments to the scammer directly. She paid a separate cryptocurrency exchange, and this is important because Lloyds are only able to process chargeback claims against the merchants Ms T paid, not another party.

The cryptocurrency exchange was legitimate and the service they provided was to facilitate conversion of Ms T's payment. Therefore, they provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was subsequently transferred elsewhere, because Ms T was tricked by the scammers, doesn't give rise to a valid chargeback claim against the merchants. The merchant provided the requested service to Ms T so a chargeback attempt would be likely to fail.

I have also considered whether Ms T should receive a refund for the payments she made into the scam under the Contingent Reimbursement Model (CRM) Code. But the CRM code doesn't cover payments made by debit card so it would not apply.

I then considered whether Lloyds should've reasonably prevented the payment being made.

Although she was following the scammer's instructions, Ms T authorised the £600 payment that was made from her account with Lloyds. So, the starting point here is that Ms T is responsible.

However, banks have a duty to protect their customers against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

The question here is whether Lloyds should've identified the risk of a scam and stepped in to question Ms T about the payment she was making preventing the scam taking place.

I agree with the investigator that although the payment was sent to a cryptocurrency exchange, a single payment to a genuine cryptocurrency merchant for a relatively low amount could be legitimate and doesn't automatically indicate that a consumer is falling victim to a scam. Also, from reviewing the file, the amount wouldn't have stood out as Ms T regularly made payments in excess of £600.

I noted that Ms T is disabled due to mental health and a chronic pain condition, and I recognise the impact this cruel scam has had on her. However, for the above reasons, I'm unable to fairly conclude that Lloyds missed an opportunity to stop the scam and I don't think it is responsible for Ms T's loss here.

I appreciate £600 is a large amount of money to Ms T and this is likely to come as a disappointment to her, and I'm very sorry that she has been the victim of such a cruel scam. However, I'm not persuaded that Lloyds can fairly or reasonably be held liable for her loss in these circumstances.

### **My final decision**

For the reasons given above, my final decision is that I'm not upholding this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 20 May 2025.

Paul Douglas  
**Ombudsman**