

The complaint

Mr N and Mrs B are unhappy that Lloyds Bank PLC hasn't refunded a payment they lost to a scam.

They are professionally represented in the complaint, but for simplicity I've mainly referred to the actions of Mrs B throughout, as she made the disputed transaction.

What happened

In 2018 Mr N and Mrs B were purchasing a property. They had already sent a deposit payment of £3,500, and were due to send £20,000, which would be followed by a final payment the following day to complete the purchase. Since making the first transfer, Mrs B had received an email from what she believed was her solicitors' address, asking her to send the final amount to a new payee (with a similar name). She then sent £20,000 to the new account details via faster payment on 23 October 2018.

When the money didn't arrive with the solicitors Mrs B realised their emails must have been intercepted and the funds had been sent to a scammer. They reported the matter to Lloyds the following day, on 24 October 2018, and it attempted to recover the transferred amount from the beneficiary bank – but only £168.73 remained in the recipient's account. They also contacted the police, who pursued a lengthy investigation and confirmed the solicitors' email had been hacked, but weren't able to recover the rest of the stolen funds.

In 2023 a complaint was raised with Lloyds about what had happened in 2018, and the bank responded to say it didn't think it was liable for the loss. The payment in question occurred before the introduction of the Contingent Reimbursement Model (CRM) code – which was a voluntary scheme that some banks signed up to provide fraud refunds in some scenarios. As Lloyds considered it had done what it could to recover the funds, and there wasn't a fraud refund scheme in place at the time, it declined to refund the payment. Mr N and Mrs B weren't happy with the response, and so referred the complaint to our service for review. They argued Lloyds should have intervened to provide a warning or question the payment, and had it done that the scam would have come to light.

One of our investigators considered the complaint and didn't think it should be upheld. There weren't any fraud redress schemes in force at the time – and, in her view, the payment wouldn't have looked out of character compared to the previous account usage. So the investigator didn't think Lloyds would reasonably have been on notice that Mrs B might be falling victim to a scam, to the extent that it questioned her about the transfer. The investigator also reviewed whether the bank had done enough to recover the payment, once alerted to the fraud, and concluded it had.

Mr N and Mrs B didn't accept the investigator's view on the complaint, and asked for an ombudsman to reconsider the matter. So the case was passed to me for a final decision on the fair outcome.

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'm not upholding the complaint. I appreciate that will come as a great disappointment to Mr N and Mrs B, who I know feel strongly that Lloyds should have done more. There's no dispute that they fell victim to a cruel and sophisticated scam. But what I must decide is whether Lloyds ought to have been on notice they were at risk of financial harm, to the extent that it intervened before processing the payment. On balance, I don't think that was the case here – and I've explained my rationale below.

In broad terms, the starting position in law is that a payment services provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account and the Payment Services Regulations (PSR's). Mrs B 'authorised' the transaction in question (she made it), albeit under the belief it was going to their solicitors' account. So Lloyds were under an obligation to process the payment – but that isn't the end of the story, as far as its responsibility in the matter goes.

While that's the starting position, I've also taken into account the regulator's rules and guidance; relevant codes of practice, along with what I consider to have been good industry practice at the time. That means I consider Lloyds should fairly and reasonably have been on the lookout for the possibility of fraud at the time, and intervened if there were clear indications its customer might be at risk.

Lloyds has a difficult balance to strike in how it configures its systems. It needs to detect unusual activity, or activity that might otherwise indicate a higher than usual risk of fraud, whilst not unduly hindering legitimate transactions. There are many millions of payments made each day, and it would not be possible or reasonable to expect firms to check each one. In situations where firms do (or ought to) carry out checks, I would expect that intervention to be proportionate to the circumstances of the payment. Lloyds didn't intervene prior to processing this payment, and it was made prior to the introduction of the CRM code in 2019 (which wasn't retrospective, therefore doesn't help here). So the question for me to decide is whether the disputed transaction ought to have looked concerning enough to have prompted fraud checks.

I've reviewed the account in the run up to the payment and can see it wasn't one used for their daily spend. Instead it seems to have been used more sporadically – and typically for bills, joint expenses and larger payments. There were several large payments (£10,000 plus) made in the months prior to the £20,000 transfer, including a couple that were higher in value. I recognise that it was still a large amount, and it was to a new payee, so there were some risks attached to it. I also appreciate those other large transactions either went to other accounts elsewhere in the customers' names, or legitimate companies. But there weren't any flags present for the payee, and confirmation of payee (CoP) wasn't in place at the time – so the bank wouldn't have been on notice of anything concerning about the recipient account.

Overall, taking into consideration the previous activity, I don't think this transfer would have appeared significantly out of character to the bank. A pattern of fraud hadn't developed on the account either (e.g. payments made in quick succession or escalating in size), and a large balance was also left after it was sent – so it didn't drain the account (another potential risk factor). As I don't think the payment sufficiently indicated they were potentially falling victim to a scam, and was in line with the prior usage, it follows that I don't consider Lloyds ought to have intervened to provide a warning or question it further before allowing it.

I've also considered whether Lloyds acted fairly once alerted to the scam, and if it made reasonable attempts to recover the funds – I've decided it did. The evidence suggests the majority of the money had been transferred out of the recipient's account on the same day as the disputed transaction. So by the time Lloyds were notified, the amount that was returned to Mr N and Mrs B was all that was left to be recovered. I've not seen anything to suggest Lloyds didn't act quickly once the scam was reported, or that any more money could have been recovered through swifter action on the bank's part anyway.

I appreciate Mr N and Mrs B are frustrated by the bank's handling of the claim, and the outcome they received, but I've not seen any service issues that I consider require compensation. I think the answers the bank gave on the fraud claim and the complaint were fair in the circumstances, and delivered in a timely manner. I do acknowledge that this has been a very long and (so far) fruitless process for them both – and I'm very sorry that this money was stolen from them. I also understand why they'd want to pursue every avenue to try and get back what they lost. But, having considered Lloyds' role in what happened, I don't think I can fairly hold it responsible for the loss.

My final decision

My final decision is I'm not upholding Mr N and Mrs B's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr N to accept or reject my decision before 16 October 2025.

Ryan Miles
Ombudsman