

The complaint

Mr E complains that Lloyds Bank PLC did not refund the £20,000 he says he lost to a scam.

What happened

Mr E was introduced to an investment with a company I'll call 'B' for the purposes of this decision. B claimed to provide mini bonds for the purpose of trading in the performance of football teams and players using an algorithm they had created. Mr B made a payment of £20,000 from his Lloyds account on 24 November 2017 and expected to receive returns of 12% on his investment. He did receive five instalments of £600 from March 2018 to November 2018, totalling £3,000 but none followed after that point.

B entered administration in May 2022, and Mr E eventually felt he had been the victim of a scam. He raised a scam claim with Lloyds who issued a final response letter in November 2023. This explained that the transaction was not covered by the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code, and they felt it was more likely this was a failed high-risk investment and not a scam.

The complaint was referred to our service and our Investigator looked into it. On balance, they did not think an in-depth conversation between Lloyds and Mr E at the time the payment was made would have revealed he was at risk of financial harm. This is because Mr E had official looking documentation and there was no reason at that time to think B was not a genuine company providing a legitimate, albeit high-risk, investment.

Mr E's representative did not agree with the findings and provided a number of points in response. In summary, they felt the payment was unusual and the high returns along with the fact B was not regulated suggested this was a Ponzi or pyramid scheme. And they felt a conversation with Lloyds would have likely revealed this.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

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.

Mr E's representatives have provided a detailed reply to the initial view to this complaint. In keeping with our role as an informal dispute resolution service and as our rules allow, I will focus here on the points I find to be material to the outcome of Mr E's complaint. This is not meant to be a discourtesy to Mr E, and I want to assure him I have considered everything he has submitted carefully.

It isn't in dispute that Mr E authorised the payment of £20,000. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he is liable for the transaction. But he says that he has been the victim of an authorised push payment (APP) scam.

The regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams. So, I've thought about whether Lloyds did enough to try to keep Mr E's account safe.

While I can see there were some high value transactions on Mr E's account around the time of the payment in question, the payment of £20,000 was one of the first high value transactions to go to an external account. Due to its relatively significant value, I think some form of intervention was warranted by Lloyds before it was processed. What's left to decide is if a conversation with Mr E would have prevented the payment from being made at that time.

Having considered everything available to me, I don't think a conversation about the investment or B would have raised significant concerns for Lloyds at that time. I don't know how the investment was presented to Mr E by the introducer, as he has said most of the communication was over the phone. But while I accept the return rates were relatively high at 12%, this is to be expected of high-risk investments such as mini-bonds. So, I don't think this alone would have been enough to indicate Mr E may be at risk of financial harm. Similarly, while I think Lloyds could have highlighted the risk of investing with a firm not regulated by the FCA, I don't think this would be enough to indicate Mr E may be the victim of a scam.

At the time that Mr E invested, B had been incorporated for two years and appeared to be operating as a genuine investment firm offering high risk mini bonds. I appreciate the information provided by Mr E's representatives that show the administrator of B highlighted concerning details about B and the investment itself. However, these did not come to light until after B went into administration in 2022. Lloyds did not have this information to hand when Mr E made the £20,000 investment in 2017. And based on the information they did have, I don't think they reasonably would have felt Mr E was at risk of financial harm when making the payment.

I also don't think that Lloyds could have done anything to recover these funds from the recipient account. Given that it was several years after the payment that Mr E first raised his concerns, and that B had gone into liquidation by that time, I think it very unlikely that any funds would have remained for recovery.

Mr E's representatives have said he was particularly vulnerable to the scam they feel B was perpetrating. However, as I have determined the payment cannot be considered under the CRM Code, Lloyds was not required to automatically reimburse Mr E if he was found to be vulnerable as set out in the Code. And while outside of the Code, we would expect a bank to make reasonable adjustments and treat vulnerable customers fairly, I've seen no indication that Lloyds was aware of Mr E's vulnerabilities to be able to make reasonable adjustments as and where needed.

I'm really sorry to disappoint Mr E, as I know he's lost a significant amount of money. But I'm not satisfied that I can fairly ask Lloyds to refund his loss based on the evidence that is available.

My final decision

I do not uphold Mr E's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 24 December 2024.

Rebecca Norris

Ombudsman