

The complaint

Ms W is unhappy Lloyds Bank PLC (“Lloyds”) recorded CIFAS and SIRA markers against her.

This service has already looked at a complaint – and issued a final decision - about the closure of Ms W’s account and the fact Lloyds withheld money in the account and returned some of it to source. I will therefore not be making any comment on this here and focusing only on the fraud markers recorded against Ms W.

What happened

Ms W opened a Lloyds account in September 2023 in order to receive money to fund her studies and life as an international student. Shortly after opening she received multiple credits into the account from third parties, through a cryptocurrency peer to peer trading site.

One of these credits for £700, was reported as a scam by the sender on 17 October 2023. As a result, Lloyds blocked Ms W’s account and contacted her to query the payment.

Lloyds’ notes from a call it had with Ms W on 19 October 2023, say that she told them she was a student and the payments into her account were money from family and friends. She explained she was unable to send money from her home country due to ongoing restrictions. Ms W explained she didn’t know the sender of the £700 as it was arranged through family, so she didn’t have any evidence of the conversation with the payer about the transfer. Lloyds’ notes suggest it asked Ms W if she had any other proof the payment wasn’t fraudulent, and Ms W said she would try to find out if she could get anything but wasn’t sure she would be able to.

On 19 October 2023, Lloyds recorded a category 6 misuse of facility CIFAS marker against Ms W, as well as loading her onto the SIRA database. I note there were two SIRA loadings showing – one from September 2023 when the account was opened and one from 19 October 2023.

Ms W is unhappy with the markers as she’s explained she hasn’t been involved in anything fraudulent. In her complaint to Lloyds on 20 October 2023, she gave more detail around the transfers into her account. Because of the restrictions on her home country, she wasn’t able to move money in the traditional way. As a result, she had to use informal transfer houses. This would work by her family and friends reaching out to their network of contacts who have overseas bank accounts, and from their accounts they would help transfer money to her Lloyds account. Her family would then repay them with local currency. She explained the lady who transferred the £700 was a family friend and had reported it as a scam to her bank. At that point she wasn’t sure if this was intentional or done by accident.

Ms W says she later made contact with the sender of the £700 and they explained it was reported as a scam in error. She notified her payment provider of this. Ms W has explained she’s faced difficulty from the sender’s payment provider as they wouldn’t share this with Lloyds and Lloyds told her it would only remove the marker if the notification came from the payment provider.

Ms W asked us to look into her complaint. We asked her for any evidence to support her testimony about the £700 transfer. Ms W expressed her concern that we needed this because Lloyds had already said it had looked into this. She pointed out that if Lloyds had needed further information, it should have requested this at the time and before they recorded the fraud markers against her. Nevertheless, she sent us evidence of the sender's communication with her payment provider in which she retracted her scam claim. She also sent evidence of some of the other transactions made through the cryptocurrency site. We sent this over to Lloyds and as a result, it said it would remove the CIFAS marker and downgrade the SIRA loading to "inconsistency". It did this in June 2024 and confirmed there is only one marker recorded.

Our investigator issued her findings on Ms W's complaint, explaining that she was satisfied Lloyds' offer was fair.

Ms W didn't agree as she wants her name removed fully from the fraud databases. She explained the whole situation has caused her a lot of stress and affected her studies as a result. She has also explained that having the markers recorded against her has made it difficult to apply for certain jobs. And whilst she acknowledged she can't know for certain, she says it's possible some employers haven't progressed her application due to the markers.

Ms W explained she hasn't tried to open an account since before the CIFAS marker was removed and SIRA marker downgraded. Prior to this she was denied an account and has felt reluctant to apply again. She mentioned that another bank has applied a note to a database after a failed application to them in October 2023.

Because Ms W disagreed, the complaint has been passed to me to decide.

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.

CIFAS loading

Lloyds has removed the CIFAS marker recorded against Ms W for misuse of facility, so I don't need to make a finding on whether it should be removed. However, given the marker was recorded for around eight months – and the impact Ms W says this had on her – I do need to make a finding on whether I think the marker was correctly loaded in the first place. Ms W has made the argument that Lloyds added the marker extremely quickly and failed to ask her to provide any supporting evidence.

In order to load a CIFAS marker, Lloyds isn't required to prove beyond reasonable doubt that Ms W is guilty of fraud or financial crime, but they must show that there are grounds for more than just suspicion or concern. CIFAS says:

- "There must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted;
- [and] The evidence must be clear, relevant and rigorous such that the member could confidently report the conduct of the subject to the police."

What this means in practice is that a bank must first be able to show that fraudulent funds have entered the consumer's account. At the time of the CIFAS loading, I'm satisfied Lloyds

had reason to believe this to be the case, as it had received a scam report from another payment provider regarding the £700 payment.

Secondly, the bank will need to have strong evidence to show that the consumer was deliberately dishonest in receiving the fraudulent payment and knew it was, or might be, an illegitimate payment. The bank should carry out sufficient checks and give the account holder the opportunity to explain the activity on the account.

Ms W says Lloyds didn't ask her to provide any evidence around the £700 transaction. Lloyds hasn't been able to provide the call recording of the conversation Ms W had with its fraud department on 19 October 2023, however, it has provided the corresponding notes to the conversation. These notes suggest Lloyds did ask Ms W questions about the payment. She told Lloyds she didn't know the sender of the £700 or have any evidence of the conversation with the sender, as this was arranged through family. She added that she wasn't sure she'd have anything further she could provide to evidence the transfer was legitimate.

I have no reason to doubt the accuracy of these notes given the testimony Ms W gave matches what she later told Lloyds in her complaint. In addition to this, Ms W hasn't been able to provide any evidence of the transfers legitimacy in the form of written conversations or the original source of the funds. So again, this matches what the notes say. I should say this isn't entirely unusual when using an informal transfer method such as the one Ms W has explained. But it does satisfy me that Lloyds gave Ms W the opportunity to explain the £700 payment.

It was only months later than Ms W was able to provide a copy of the communication the sender of the payment had with her payment provider; to show she had retracted the scam claim. And it was at this point the CIFAS marker was removed. I should note I can't hold Lloyds responsible if the sender's payment provider didn't notify it of the retracted scam claim.

Taking all this into account, I don't think it was incorrect for Lloyds to record the CIFAS marker in October 2023. It had received a scam report and no physical evidence from Ms W to back up the legitimacy of the payment. So, whilst I appreciate Ms W feels she hasn't done anything wrong and has been negatively impacted by the loading, I won't be asking Lloyds to take any further action in relation to this.

SIRA loading

Synectic Solutions runs the National SIRA database, which is there to help financial institutions prevent fraud. Depending on its concerns, a financial business records a certain type of marker. Lloyds has recorded an "inconsistency" marker against Ms W, having downgraded this from a different SIRA marker. This type of marker is visible to other members of SIRA.

The burden of proof for recording an inconsistency marker isn't the same as for the CIFAS loading detailed above, nor is it the same as what would be necessary to convict someone of fraud or a financial crime in a court of law. What this means is that Lloyds didn't have to prove beyond reasonable doubt that Ms W committed a fraud or financial crime before it could record the marker. It just needed to have a reasonable concern supported by the available evidence.

Having reviewed the evidence Lloyds relied on to record the marker, I'm satisfied it should remain. I appreciate Ms W feels it should be removed as she maintains she hasn't done

anything wrong, but unfortunately the evidence she has provided to show the activity on her account was legitimate, isn't strong enough for the marker to be removed fully.

Whilst Ms W has provided screen shots of cryptocurrency exchange taking place and some conversations around these, these don't demonstrate the ultimate source of the funds. There is no evidence the money is from her family and friends. The cryptocurrency exchange seems to be just one part of the transfer of money, but there is no evidence of the movement of the money prior to this and nothing to show the money was part of the informal transfer system Ms W has explained.

I appreciate Ms W has provided screen shots of the sender withdrawing their fraud claim, but this isn't sufficient on its own, to alleviate Lloyds' concerns given the above. Taking all this into account, I'm satisfied the above reasons are sufficient for the marker to remain.

My final decision

My final decision is that I don't think Lloyds Bank PLC needs to do anything further to settle the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 29 July 2025.

Sarah Brimacombe
Ombudsman