

THE COMPLAINT

Mr M holds/held an account with Lloyds Bank PLC (“Lloyds”).

Mr M’s complaint is about Lloyds’s refusal to reimburse him money he says he lost due to a scam.

Mr M is represented by CEL Solicitors (“CEL”) in this matter. However, where appropriate, I will refer to Mr M solely in this decision for ease of reading.

WHAT HAPPENED

The circumstances of this complaint are well known to all parties concerned, so I will not repeat them again here in detail. However, I will provide an overview.

Mr M says he has fallen victim to a cryptocurrency linked job scam. In short, Mr M says that fraudsters tricked him into making payments to receive income from completing various tasks for a company called, Kayak. Below are the card payments in question:

Payment Number	Statement Date	Beneficiary / Merchant	Amount
1	26 June 2023	Binance	£200
2	03 July 2023	Money/mercuryo.io	£20
3	03 July 2023	Money/mercuryo.io	£100
4	21 August 2023	Binance	£412
5	04 September 2023	Binance	£500
6	11 September 2023	Binance	£15
7	11 September 2023	Binance	£100
8	11 September 2023	Binance	£100
9	11 September 2023	Binance	£500
10	11 September 2023	Binance	£500

11	15 September 2023	Binance	£500
12	15 September 2023	Binance	£500
13	18 September 2023	Binance	£500
14	18 September 2023	Binance	£15
15	18 September 2023	Binance	£15
16	18 September 2023	Binance	£170
17	18 September 2023	Binance	£240

Mr M disputed the above with Lloyds. When Lloyds refused to reimburse Mr M, he raised a complaint, which he also referred to our Service. One of our investigators considered the complaint and did not uphold it, which Mr M rejected. As he did not accept the investigator's findings, this matter has been passed to me to make a decision.

WHAT I HAVE 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 find that the investigator at first instance was right to reach the conclusion they did. This is for reasons I set out in this decision.

I would like to say at the outset that I have summarised this complaint in far less detail than the parties involved. I want to stress that no discourtesy is intended by this. If there is a submission I have not addressed, it is not because I have ignored the point. It is simply because my findings focus on what I consider to be the central issues in this complaint.

Further, under section 225 of the Financial Services and Markets Act 2000, I am required to resolve complaints quickly and with minimum formality.

Regulatory framework

The regulations which apply in this matter are the Payment Services Regulations 2017 ("the PSRs").

Should Lloyds have recognised that Mr M was at risk of financial harm from fraud?

It is not in dispute that Mr M authorised the payment transactions in this matter. Generally, consumers are liable for payment transactions they have authorised. However, that is not the end of the story. This is because even if a payment is authorised, there are regulatory requirements and good industry practice which suggest firms/banks – such as Lloyds – should be on the look-out for unusual and out of character transactions to protect their customers from financial harm. And, if such payment transactions do arise, firms should intervene before processing them. That said, firms need to strike a balance between

intervening in a customer's payment to protect them from financial harm, against the risk of unnecessarily inconveniencing or delaying a customer's legitimate transactions.

I have borne the above in mind when considering the payment transactions in this matter.

Payments 1 to 5

I am not persuaded that Payments 1 to 5 were that unusual or out of character. I acknowledge that they were cryptocurrency related in nature. However, I have weighed this against the fact that they were relatively low in value and do not appear to be out of step with spending on Mr M's account. For these reasons, I would not have expected Payments 1 to 5 to have triggered Lloyds's fraud detection systems.

Payments made on 11 September 2023

I would have expected one of the payments made on this date – perhaps Payments 9 or 10 – to have triggered Lloyds's systems. I say this because of the multiple payments made on the same day in a short period and in quick succession.

Lloyds did not exercise any meaningful interventions in relation to the payments made on 11 September 2023. However, before that date, on 2 September 2023, Mr M spoke to a Lloyds adviser via telephone about an unrelated scam he had fallen victim to. During that call, Mr M and the adviser discussed, amongst other things, the payments he had made in relation to the scam concerned. I consider this telephone call below.

Was the warning Lloyds provided in the 2 September call proportionate?

I take the view that the Lloyds adviser provided Mr M with robust scam warnings – particularly around cryptocurrency scams. But, I do not find that the adviser sufficiently probed Mr M about the investment/work he believed he was involved in – particularly given the fact Mr M mentioned Kayak by name. I note the investigator concluded that the Lloyds adviser was not “... *duty bound to do the research [of Kayak] for [Mr M] because they [the adviser] might have reached the wrong conclusion and given [Mr M] the wrong advice.*” Whilst I take the investigator's point, I have weighed their proposition against the following factors:

- The call took place post the Financial Conduct Authority (FCA)'s Consumer Duty.
- During the call, Mr M had shared with the adviser information about his financial difficulties and health. Consequently, the adviser placed a note on Mr M's file about these issues and provided him with the details of relevant charities.

To my mind, given the fact that the call took place after the FCA's Consumer Duty, this is enough to say that the adviser should have probed Mr M more, especially given the fact Kayak was mentioned by name. I am even more persuaded that this should have happened because of the financial and health problems Mr M said he was experiencing at the time. Taking these points together, they should have resulted in the adviser questioning Mr M's crypto payments in more detail and conducting a search on Kayak – both of which may have brought the scam to light.

For the above reasons, I am not persuaded that the adviser's warning was proportionate. However, this does not necessarily mean that Mr M would have heeded a more robust warning from Lloyds. This is something I consider below.

If Lloyds had provided a warning of the type described, would that have prevented

some of the losses Mr M suffered from Payment 5 onwards?

I have explained why Lloyds should have gone further in its warning on 2 September 2023. So, I must now turn to causation. Put simply, I need to consider whether Lloyds's failure to provide a proportionate warning caused Mr M's losses from Payment 5. To do this, I need to reflect on whether such a warning (described above) would have likely made any difference. Having done so, I am not persuaded that it would have. I take the view that, on the balance of probabilities, Lloyds would not have been able to break the fraudster's spell and prevent Mr M's losses.

I have reached this view for the following reasons.

First, I am convinced that Mr M was deeply under the spell of the fraudster – having spoken to them for about four months before the 2 September call. I have considered the WhatsApp messages exchanged between Mr M and the fraudster. The messages suggest that Mr M very much trusted the fraudster and had built a romantic relationship with them. Due to the explicit nature of some of the messages, it would not be appropriate for me to repeat the content of them here. That said, Mr M made it very clear in the messages that he was in love with the fraudster, which they responded to in kind.

Secondly, even though Mr M had concerns about the scam from around 24 June 2023, he continued to make payments towards it. Mr M funded the scam by using his Lloyds and Revolut accounts. I can see that on 24 June 2023, Mr M contacted Revolut via an in-app chat asking it to refund him a payment he made towards the scam. Revolut treated the matter as a scam which it made clear to Mr M. Despite this, Mr M continued to believe in the scam and made further payments towards it until September 2023.

Taking all the above points together, I find that had Lloyds gone further in its warning (described above), it is unlikely this would have broken the fraudster's spell preventing Mr M's losses. For example, I think Mr M would have likely still gone ahead with his payments through Lloyds and/or Revolut. In short, Mr M was very much under the spell of the fraudster whom he clearly trusted and had feelings for. Further, he continued to fund the scam even when he had concerns about it as early as 24 June 2023.

Lastly, I am not persuaded this is a case where Lloyds, contrary to Mr M's instructions, should have, for example, refused Mr M's payments or required him to attend a branch.

Should Lloyds have exercised interventions in relation to Mr M's other payments?

I am not persuaded that Mr M's other payments should have triggered Lloyds's systems. I say this because as Mr M continued to make payments to Binance, without any issues, the payee would have become 'established'. Further or alternatively, I do not find any significant aggravating factors surrounding Mr M's other payments.

Recovery of funds

I have considered whether Lloyds acted appropriately to try to recover Mr M's funds once the fraud was reported.

Chargeback

Chargeback is an entirely voluntary scheme, which means firms are under no formal obligation to raise a chargeback claim. The relevant scheme operator can arbitrate on a dispute between a merchant and customer if it cannot be resolved between them. However, such an arbitration is subject to the rules of the relevant scheme – so there are limited

grounds on which a chargeback can succeed.

The service of purchasing cryptocurrency/exchanging funds into cryptocurrency – is not covered under the chargeback scheme concerned in this matter. This is because the exchanges in question provided their services as intended. This also applies to any payment processor involved, as they would have carried out their services as intended when transferring funds.

For these reasons, I find that any chargeback claim in this matter had little chance of success under the relevant chargeback scheme. It follows that I would not have expected Lloyds to raise one on behalf of Mr M.

Further or alternatively, the likelihood that even if prompt action had been taken by Lloyds on or immediately after the fraud was reported, any of Mr M's money would have been successfully reclaimed seems slim. I say this because of the time that had elapsed between Mr M's last payment (September 2023) and when he reported the scam (2024). In these types of scams, fraudsters tend to withdraw/transfer out their ill-gotten gains immediately to prevent recovery.

Vulnerabilities

Mr M says that he was vulnerable at the time of the scam due to financial difficulties and health problems. I acknowledge Mr M made Lloyds aware of these issues during his call with it on 2 September 2023. Whilst it could be argued that Lloyds should have considered dealing with Mr M's payments differently, I think if this had happened, Mr M would have found another way to make his transactions for the reasons explained above.

Compensation for distress and/or inconvenience

I have considered whether an award for distress and/or inconvenience is warranted in this matter. Having done so, I am not persuaded that it is. I have not found any errors in Lloyds's investigation. Any distress and/or inconvenience Mr M has suffered is a result of the fraudster's actions – not Lloyds's.

Conclusion

Taking all the above points together, I do not find that Lloyds has done anything wrong in the circumstances of this complaint. Therefore, I will not be directing Lloyds to do anything further.

In my judgment, this is a fair and reasonable outcome in the circumstances of this complaint.

MY FINAL DECISION

For the reasons set out above, my final decision is that I do not uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 7 July 2025.

Tony Massiah
Ombudsman