

The complaint

Mr L complains that Lloyds Bank PLC (Lloyds) is refusing to refund him the amount he lost as the result of a scam.

Mr L is being represented by a third party. To keep things simple, I will refer to Mr L throughout my decision.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mr L tells us that he was searching online when he came across a company, I will call "X" offering a service whereby individual were able to utilise the services of an account manager to trade on various platforms.

Mr L completed an online form on X's website and later received a call. Following the conversation with X, Mr L setup an account with it with the intention of trading cryptocurrency with its assistance. X guaranteed Mr L that he would double his investment.

Mr L setup a cryptocurrency account with a well-known cryptocurrency exchange and made payments into the account as instructed by X which were then forwarded to a trading platform I will call "Y".

Mr L realised in July 2023 that he had fallen victim to a scam and reported the scam to Lloyds on 5 July 2023.

Mr L was then contacted by a second company I will call "Z". Z told Mr L it would be able to recover the funds he had lost for a fee.

Mr L agreed to pay Z's fee however once he had made several payments Z stopped communicating with Mr L and it became clear he had fallen victim to a second scam.

Mr L made the following payments in relation to the two scams:

<u>Payment</u>	<u>Date</u>	<u>Payee</u>	<u>Payment Method</u>	<u>Amount</u>
1	19 May 2023	Coinbase	Debit Card	£10.00
2	20 May 2023	Coinbase	Debit Card	£30.00
3	23 May 2023	Coinbase	Debit Card	£20.00
4	27 May 2023	Coinbase	Debit Card	£30.00
5	29 May 2023	Coinbase	Debit Card	£100.00
6	30 May 2023	Coinbase	Debit Card	£2,200.00
	1 June 2023	Coinbase	Debit Card	£26.45cr
7	3 June 2023	Coinbase	Debit Card	£30.00
8	6 June 2023	Coinbase	Transfer	£30.00
9	8 June 2023	Coinbase	Transfer	£1,500.00
10	9 June 2023	Coinbase	Transfer	£100.00

11	10 June 2023	Coinbase	Debit Card	£30.00
12	17 June 2023	Coinbase	Debit Card	£30.00
13	23 June 2023	Coinbase	Transfer	£100.00
14	24 June 2023	Coinbase	Debit Card	£30.00
15	25 June 2023	Coinbase	Transfer	£100.00
16	28 June 2023	Coinbase	Transfer	£4,000.00
17	1 July 2023	Coinbase	Debit Card	£30.00
18	1 July 2023	Coinbase	Transfer	£100.00
19	5 July 2023	Coinbase	Transfer	£500.00
20	7 July 2023	Coinbase	Transfer	£700.00
21	7 July 2023	Coinbase	Transfer	£1.00
22	11 July 2023	Coinbase	Transfer	£1,420.00
23	11 July 2023	Coinbase	Transfer	£450.00
24	15 July 2023	Coinbase	Debit Card	£30.00

Since this complaint has been at our service Lloyds has made an offer to refund 50% of some of the payments Mr L has disputed. Our Investigator thought this offer was fair so didn't ask Lloyds to do anything else. Mr L disagreed.

As an informal agreement could not be reached this 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.

Recovering the payments Mr L made

Mr L made payments into the scam via his debit card and the method of transfer. However, Mr L didn't make payments to the scammer directly instead he made payments to a cryptocurrency exchange in exchange for cryptocurrency and it took further steps for those funds to be sent to the scammer.

As there is no dispute that Cryptocurrency was provided to Mr L in exchange of his payments any recovery attempts would have no prospect of success.

With this in mind, I don't think Lloyds had any reasonable options available to it to recover the payments Mr L has disputed.

I understand that Mr L feels his payments in relation to the scam should be refunded in accordance with the CRM Code and has said he was vulnerable at the time the payments were made. But the CRM code does not apply to card payments and only applies when domestic payments (as the result of a scam) are sent to another person. Here Mr L sent payments to an account held in his own name. And the scam occurred when he moved his purchased cryptocurrency from that account to the scammer. I'm satisfied the CRM Code wouldn't apply in this scenario.

Should Lloyds have reasonably prevented the payments Mr L made?

It has been accepted that Mr L authorised the payments that were made from his account with Lloyds, albeit on X and Z's instruction. So, the starting point here is that Mr L is responsible.

However, banks and other Payment Services Providers (PSPs) do have a duty to protect

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 have been aware of the scams and intervened when the payments were being made. And if it had intervened, would it have been able to prevent the scams taking place.

Lloyds has accepted that it should have intervened when Mr L made payment 16 for the high value of £4,000 and had agreed to offer Mr L a refund of 50% of the payments, he made from payment 16 plus 8% simple interest.

The payments Mr L made in relation to the scam prior to payment 16 were being made to a well-known legitimate cryptocurrency exchange. While cryptocurrency related payments do carry a higher risk these payments were not significant in value and were spread out over a one-month period. So, although Mr L says Lloyds should have intervened sooner than payment 16, I don't think it would be reasonable for me to say Lloyds should have had concerns that before this point Mr L was likely to be at risk of financial harm, and it should have intervened.

However, when payment 16 was made it was for a significant sum, and I agree with Lloyds that it should have intervened and that an intervention at this stage could have prevented further loss.

Mr L reported the first scam 5 July 2023 and from listening to the call recordings at the time I think Lloyds could have done more to warn Mr L about future scams. But considering Lloyds has already accepted it should have done more when payment 16 was made I don't need to consider this further.

Should Mr L take any responsibility for his loss?

Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their decisions (see s.1C(d) of our enabling statute, the Financial Services and Markets Act 2000).

In the circumstances, I do think it would be fair to reduce compensation by 50% on the basis that Mr L should share blame for what happened. Mr L found an investment company that promised to double his investment, I think an investment offering this type of return should have been a red flag to Mr L considering returns are rarely promised when investing and those that are, are usually much smaller returns over much longer periods of time.

In addition to this Mr L does not appear to have carried out much due diligence on X or Z before agreeing to make payments. While limited information was available online at the time I think it would have been reasonable for Mr L to have sought advice, whether that be professional or via friends and family. I think had he done so it would likely have come to light that an investment offering to double Mr L's payments was most likely to be a scam.

Having fallen victim to the first scam Mr L also appears to have willingly made further payments to seek recovery of his lost funds from a company that contacted him. I think this should have caused Mr L to have had concerns and again he could have sought advice before making the payments, this could again have been from family and friends or even Lloyds who he had reported the scam to just days earlier.

In summary I think Mr L should have taken more care before making the payments he did in relation to the scam and so should share responsibility for his loss from payment 16 onwards.

Mr L has told us he was vulnerable at the time he was making the payments as a close family member had been taken ill and this affected his ability to make sound decisions. I have already explained above that the payments Mr L made in relation to the scam are not covered by the CRM code. In addition to this I have not seen anything that shows me Mr L made Lloyds aware of his vulnerability at the time the payments were made. So, I would not have expected Lloyds to have been able to consider this when the payments were made.

Putting things right

Lloyds Bank PLC has already offered to refund 50% of Mr L's losses from payment 16 onwards plus 8% simple interest. This is in line with what I would have found reasonable in the circumstances of this complaint, so I don't require Lloyds Bank PLC to offer anything more than it already has.

My final decision

Lloyds Bank PLC has already made an offer to refund 50% of Mr L's losses from payment 16 onwards plus 8% simple interest.

So, my decision is that Lloyds Bank PLC should now pay Mr L the amount it previously offered if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 20 June 2025.

Terry Woodham
Ombudsman