

The complaint

A company which I'll call 'N' complains that Lloyds Bank PLC won't refund the money it lost as a result of a scam.

The complaint is brought on N's behalf by one of its directors, Mr B. Mr B is represented by M, but for ease I'll refer to Mr B throughout.

What happened

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, in 2018 Mr B was made aware of an investment opportunity via a friend. The investment was made through an intermediary company, which I'll call 'P' who would then make an investment in the form of a loan to an unregulated share scheme operated by a company which I'll call 'H'. Mr B says he was told the scheme had been in place for around two and half years so he requested information from the company and ultimately agreed that N would invest £30,000 which would be repaid after a twelve-month term with returns of 5% interest per month. The £30,000 payment was made in June 2018.

N received monthly payments from P of £1,500 between August 2018 and April 2019 (totalling £13,500) but in early 2019 the payments stopped. In June 2019, H entered voluntary liquidation and when its creditors made an application to the court it was concluded that the investment had likely been a Ponzi scheme. Mr B complained to Lloyds as he felt the bank had failed in its duty of care to protect N from being scammed when the company had made payments to P in June 2018. He wanted Lloyds to refund N's losses of £16,500 along with 8% interest and pay compensation for the inconvenience caused.

Lloyds declined to refund N as it said the company's complaint was as a result of a civil dispute. The bank said that N had made payments to a genuine company which had unfortunately entered liquidation, it didn't think there was evidence that there was an intention of P to defraud N from the outset. Mr B didn't agree and asked our service to look into N's complaint.

Our investigator didn't recommend the complaint be upheld. She didn't think that it was a civil dispute between N and P, and she was satisfied that it was likely a scam. However, the investigator said that N had authorised the payment to P, and it was reasonable for Lloyds to action N's request. She also didn't think it was fair to say that Lloyds should have identified the payment was a scam at that time as there was nothing to highlight that was likely the case. The investigator also thought that even if Lloyds had contacted Mr B about the payment, he would likely have confirmed it was legitimate based on the documentation he'd received and the information from his friend.

Mr B didn't agree and asked for an ombudsman to review N's complaint. He said that the investigators opinion on whether he would have released the payment was theoretical and irrelevant. The facts were that the payment was unusual for N, it didn't receive any warnings from Lloyds when making the payment and the bank had failed in its duty of care to the company.

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 sorry to disappoint Mr B, but there's not much that I can add to what our investigator has already said.

The regulations relevant to this case are the Payment Services Regulations (the PSRs). These explain that, generally speaking, account holders will be liable for payments they've authorised, and banks will be liable for unauthorised payments. I've taken this into account when considering what's fair and reasonable in the circumstances of this complaint.

Here it's not in dispute that the payment was authorised, so the starting position is that the bank isn't liable for the transaction. But this isn't the end of the story. Lloyds has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. This includes looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I think Lloyds should fairly and reasonably have had systems in place to look out for out of character or unusual transactions, or other signs that might indicate that its customers were at risk of fraud. So, I need to decide whether Lloyds acted fairly and reasonably in its dealings with N here, and if I think it should have done more before allowing the £30,000 payment to leave N's account. Based on what I've seen, I don't think this payment would have aroused any suspicion of fraud.

I say that because I've reviewed N's previous account activity, and I'm not satisfied the payment was so unusual or out of character that Lloyds should have identified a potential scam risk. N had made previous large payments from the account (including several payments of £50,000 and £25,000). Lloyds has to strike a balance between identifying payments that could be fraudulent and responding appropriately based on its concerns, whilst also ensuring there is minimal disruption to any legitimate payments. In this case, I'm not satisfied that Lloyds should've been so concerned about the £30,000 payment that they ought to reasonably have intervened to prevent the payment being sent.

But in any event, even if I thought that Lloyds ought to have identified that the £30,000 may be fraudulent or out of character for the account, I don't think that would have prevented N making the payment. I say that because I think if Lloyds had contacted Mr B, he would have confirmed that payment was for an investment and referred to the documentation he'd been provided. Given that Mr B told the bank that he'd been made aware of the investment through a trusted business associate and had a long-standing business relationship with the introducer, I think it's likely that he would have confirmed that the payment should be released. And I do think it's worth noting that there were no reports of a scam, or concerns raised about the investment company at the time which reasonably should have alerted Lloyds about the legitimacy of the investment that N was making.

I'm sorry to disappoint Mr B as I recognise he feels strongly about N's complaint and believes that Lloyds should have prevented the £30,000 payment being made. However, I don't think that Lloyds made an error in processing the payment requested by N's director, so I won't be asking it to do anything more.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 21 April 2025.

Jenny Lomax
Ombudsman