

## The complaint

Mr and Mrs M are unhappy that Lloyds Bank PLC (“Lloyds”) has not refunded payments they made from their account after Mr M was the victim of a safe account scam.

## What happened

The details are well known to both parties and were set out in the investigator’s view, so I won’t repeat them here in detail. But in summary, Mr M was contacted by a scammer purporting to be contacting him from Lloyds’ fraud department. Mr M was convinced to send funds to an account that he held with a different provider and then the funds were sent on to the scammer.

The following payments were made £4,000 from a business account, £20,000 from Mr and Mrs M joint account followed by a further payment for £5,000 and then £22,000. The final payment went first to a sole account held by Mr M and was then transferred to the same account (held with a different provider).

I issued two provisional decisions in which I said the following;

### Provisional Decision 1 issued on 26 April 2024

*“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.*

*It is not in dispute that the payments in question were authorised. Mr and Mrs M were unfortunately duped by scammers into transferring the funds into a fake ‘safe’ accounts.*

*I therefore accept that this was an ‘authorised payment’, even though Mr and Mrs M were the victims of a sophisticated scam. So, although Mr and Mrs M did not intend the money to go to the fraudsters, under the Payment Services Regulations 2017, and the terms and conditions of the account, Mr and Mrs M are presumed liable for the loss in the first instance.*

*However, I’ve considered whether Lloyds should have done more to prevent Mr and Mrs M from falling victim to the scam, as there are some situations in which it should reasonably have had a closer look at the circumstances surrounding a particular transaction. For example, if it was particularly out of character.*

*The first transfer was to an existing payee, and similar and greater value transfers were made from this account in the past. So, I don’t think that Lloyds should have intervened during this transaction*

*Transaction 2 though was unusual for Mr and Mrs M. They had not made multiple large transactions in one day to the account they held with a different provider and I think that this combined with the total value - £25,000 sent on the same day should have prompted an intervention from Lloyds.*

*Multiple payments made on the same day to the same account has the hallmarks of a scam. As why would someone make multiple payments to their own account when they could just make one payment. Whereas Lloyds should be aware that this is a common tactic used by scammer to keep payments small enough to not be flagged as suspicious.*

*So, I do think the nature of the transaction was unusual and out of character compared to the usual account activity. I therefore think Lloyds ought fairly and reasonably to have made enquiries about the purpose of the £5,000 payment before it processed it.*

*I've thought about what would most likely have happened, had Lloyds intervened at this point. I think it is likely that Mr M would have explained that he was transferring funds to an account that he held with a different provider because 'Lloyds' had called him about a potential fraud on his joint account held at Lloyds. It does not seem as if the scammer told Mr M not to trust Lloyds. So, I have not seen anything which makes me believe than he would not have had an open and upfront conversation with Lloyds about why he was transferring the money, had it intervened. Given this, in the circumstances of this case, I think it more likely than not Lloyds would have known by this point, had it intervened, that a scam was indeed taking place and therefore the scam could have been stopped at this point.*

*I note that the investigator has said that she did not think that an intervention would have stopped the scam. She said that this was due to Mr M ignoring online warnings and providing misleading information to the provider of the account that the funds were sent to. These warning were shown when he transferred the funds from the different account to the scammer.*

*I do not think that this would have been the case though. Had Lloyds intervened and stopped payment 2 and explained that the instructions Mr M had received to make such payments were not from Lloyds and that it was definitely a scam this would have had a greater effect on Mr M than an online warning from a different provider. After all, if Lloyds had said that this was a scam and they explained that they would never instruct Mr M to transfer funds to another bank, I think he would have listened.*

*But also importantly, I think by this point based on what I have been provided the scammer had taken over Mr M's computer using remote access software, so I think that it was the scammer providing the responses to the other provider and the scammer was ignoring the warnings as well. I don't think it likely that the scammer would have been able to impersonate Mr M if a phone call had occurred and I don't think Mr M would have misled the bank he thought he was protecting him from fraud in a phone call.*

*So overall I think that Lloyds should have intervened during payment 2 and had it done so I think that it would have stopped the scam.*

*I've thought about whether Mr M should bear some responsibility for this loss by way of contributory negligence (which might justify a reduction in compensation). However, in this case, I don't think this would be fair. On balance, I don't think Mr M was careless in this case, but simply tricked by resourceful and clever scammers who managed to successfully impersonate his bank.*

**Did Lloyds do enough to recover the funds?**

*I've also thought about whether Lloyds took reasonable steps to recover the funds, once it was made aware of a scam. As the payments were made from an account in Mr and Mrs M's name to an account held in Mr M's name then the Contingent Reimbursement Model (CRM) does not apply. This is because the CRM does not apply to transfers made between accounts held in the account holder's own name. Also, the funds were sent from the account the funds were sent to before the scam was reported to Lloyds and so I don't think that the funds could be recovered.*

#### **The second provisional decision issued on 30 August 2024.**

*I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*In relation to the first transaction of £20,000 being uncharacteristic, I am mindful that it was a large transaction. Financial institutions though have to balance which payments to question and they can't question every payment. When thinking of what payments should be stopped I think it is reasonable to consider a number of factors, apart from what size the transaction was in isolation. In this instance the transaction was to an existing payee and to an account in Mr M's own name that he had sent funds to on many prior occasions. It is not that unusual for someone to make a large transfer from one account they hold to another. It was also a similar size to a payment that was made from the account a few weeks prior. These factors combined are enough for me to say that I think that Lloyds did not need to intervene during that particular transaction.*

*Turning now to the £4,000 transaction which was part of the scam and was made from a different business account held by Mr and Mrs M to an account in Mr M's own name prior to the first transaction. I don't think this transaction was large enough on its own to have prompted concern from Lloyds and I don't think that this transaction, which again was from a separate business account, combined with the above £20,000 transaction should have indicated to Lloyds that there a scam. I say this because it is not unusual to send funds to an account from different accounts. It is unusual to send multiple payments the same day from the same account to an account. This is because usually people would send the amount they need to transfer in one transaction. So, this is why, in this specific instance the £5,000 payment made from Mr and Mrs M's account after £20,000 had already been sent the same day is where I think Lloyds should have intervened.*

*So overall I don't think that this additional transaction means that Lloyds should have intervened earlier than I set out in my initial provisional decision. So I remain of the opinion for the reasons above and the reasons in my initial provisional decision that Lloyds should have intervened during the £5,000 transaction and I think that this would have stopped the scam.*

Mr and Mrs M agreed with my second provisional decision. Lloyds responded and said that it did not have anything further to add.

#### **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.

As neither party has raised any additional points to my second provisional decision I see no reason to depart from the findings in it. So in summary Lloyds should have intervened when the £5,000 transaction was made and this would have prevented this and further payments to the scammer.

I also don't think that the funds could have been recovered via other means and I don't think that Mr and Mrs M contributed to their own loss for the reasons given above.

So I uphold this complaint in part.

### **Putting things right**

So, to put matters right, I require Lloyds Bank PLC to:

- Refund the £5,000 transaction and the £22,000 transaction; and
- Pay Mr and Mrs M 8% simple interest, per year, on this amount from the date of each payment to date of settlement (less any tax lawfully deductible).

### **My final decision**

Because of the reasons given above and in my provisional decisions, I uphold this complaint and require Lloyds Bank PLC to pay the redress outlined above to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 15 October 2024.

Charlie Newton  
**Ombudsman**