

Complaint

Mr P is unhappy that Lloyds Bank PLC didn't reimburse him after he told it he'd fallen victim to a scam.

Background

In May 2023, Mr P signed up to a dating website. I understand the website is generally regarded as trustworthy and Mr P believed that users on the site would have been thoroughly vetted. He was contacted by someone on the website that month. They began to communicate and a relationship developed. Unfortunately, Mr P hadn't been contacted by a genuine person, but a fraudster.

In June 2023, she told Mr P that her mother had passed away. She said she needed to travel to another country and asked for financial help with the cost of flights. Mr P agreed to help and transferred £250. However, over the following weeks she asked for more financial support. Mr P transferred a little over £3,700 in total. Some payments were made through a money remittance firm. Others were bank transfers to an account in a private individual's name.

Mr P used his Lloyds account to make the following payments:

| | |
|--------------|-------|
| 19 June 2023 | £250 |
| 20 June 2023 | £250* |
| 21 June 2023 | £450* |
| 26 June 2023 | £500 |
| 28 June 2023 | £700 |
| 28 June 2023 | £500 |
| 10 July 2023 | £490 |
| 11 July 2023 | £320 |
| 18 July 2023 | £180 |
| 19 July 2023 | £140 |
| 19 July 2023 | £105 |
| 20 July 2023 | £80 |

The payments marked with an asterisk were to a money remittance service. The remainder were faster payments to bank accounts in the names of private individuals.

Once Mr P recognised that he'd fallen victim to a scam, he contacted Lloyds. It didn't agree to refund him. It didn't think Mr P had made these payments with a reasonable basis for believing that the person he was paying was genuine. However, it did opt to refund 50% of the funds Mr P lost that were transferred by way of faster payments.

Mr P wasn't happy with the response from Lloyds and so he referred his complaint to this service. It was looked at by an Investigator who didn't uphold it. Mr P disagreed with the Investigator's view, and so the complaint has been passed to me to consider and come to a final decision.

Findings

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

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account.

However, that isn't the end of the story. Lloyds is a signatory to the Lending Standards Board's Contingent Reimbursement Model Code ("the CRM code"). This code requires firms to reimburse customers who have been the victim of authorised push payment ("APP") scams, like the one Mr P fell victim to, in all but a limited number of circumstances. Under the CRM Code, a firm may choose not to reimburse a customer if it can establish that an exception to reimbursement applies. In this instance, Lloyds has relied on a specific exception – namely that Mr P *"made the payment without a reasonable basis for believing that ... the person or business with whom [he] transacted was legitimate."*¹

I've considered the available evidence carefully, and I think Lloyds has applied the CRM Code fairly here. I do not doubt that Mr P sincerely believed the payments were legitimate requests from someone he trusted. However, I am not persuaded that this belief was reasonable. Mr P had never met them in person. Their only communication was via WhatsApp. There were no video calls or other evidence to confirm her identity. I think Mr P too readily accepted that the requests for financial support were genuine. Additionally, the payments were not made to accounts in the person's name. Instead, they went to accounts in the name of private individuals. This is unusual and should have raised suspicions. I have not seen any evidence to suggest Mr P was given a compelling explanation for why this was the case.

I have also considered whether Lloyds acted as I would expect it to. Mr P's representatives argue that Lloyds failed to provide an effective warning when he made the first payment. They referred to SF1(2)(b) of the CRM Code. To be clear, that provision doesn't create an automatic requirement that firms display a warning where a new payee is created. The obligation to do so is only engaged where the firm identifies (or ought to identify) an APP scam risk. We now know with the benefit of hindsight that Mr P was in the process of falling victim to a scam. But I have to consider whether Lloyds ought to have recognised that, given the information that was available to it at the time. The first payment was for £250. I do not think this amount would have given Lloyds reasonable grounds to suspect fraud at that stage. Mr P had previously made larger payments from his account, including payments of £3,453 and £4,000 in 2022.

Over the period in which the scam took place, the payments were relatively modest in value. Even though the total amount was significant, I do not think the individual payments would have triggered concerns. I do not think Lloyds had reasonable grounds to intervene here – either to question Mr P about the payments or display a warning.

I don't say any of this to downplay or diminish the fact that Mr P has fallen victim to a cruel and cynical scam. I have a great deal of sympathy for him and the position he's found himself in. However, my role is to look at Lloyds' actions and decide whether it applied the CRM Code fairly and, while I know my decision will be greatly disappointing to Mr P, I think it has.

¹ R2(1)(c) of the Contingent Reimbursement Model Code for Authorised Push Payment Scams

Final decision

For the reasons I've set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 17 January 2025.

James Kimmitt
Ombudsman