

The complaint

Mr C complains that Lloyds Bank PLC won't refund the money he lost when he was the victim of a scam.

What happened

In October 2023, Mr C saw a post on a social media platform by an old friend of his talking about money they'd made investing with cryptocurrency. He contacted the friend and was told they'd invested with a cryptocurrency investment company they gave him the details of.

Mr C was contacted by someone from the cryptocurrency investment company who explained how the investment worked, told him to open accounts with cryptocurrency exchanges and then showed him how to purchase cryptocurrency and send it on to the company's trading platform. Mr C then made a number of payments from his Lloyds account to purchase cryptocurrency, which he sent on to wallet details he was given for the company.

I've set out the payments Mr C made from his Lloyds account below:

Date	Details	Amount
9 October 2023	To 1 st cryptocurrency exchange	£1,400
9 October 2023	To 1 st cryptocurrency exchange	£300
9 October 2023	To 1 st cryptocurrency exchange	£1,550
11 October 2023	To 1 st cryptocurrency exchange	£2,400
12 October 2023	To 2 nd cryptocurrency exchange	£79.14
13 October 2023	To 1 st cryptocurrency exchange	£302
13 October 2023	To 3 rd cryptocurrency exchange	£400
16 October 2023	To 1 st cryptocurrency exchange	£3,001.82
16 October 2023	To 1 st cryptocurrency exchange	£412.54

Unfortunately, we now know the friend's social media account had been hacked and the cryptocurrency investment company was a scam. The scam was uncovered after Mr C was told he needed to pay increasingly large fees and charges before he could withdraw the money the trading platform said he had made.

Lloyds investigated but said the payments were sent to accounts with the cryptocurrency exchanges in Mr C's own name and there was nothing further it could have done to prevent the scam. Mr C wasn't satisfied with Lloyds' response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think anything we would have expected Lloyds to have done would have prevented the scam, so they didn't think Lloyds should have to refund the money Mr C had lost. Mr C disagreed with our investigator, so the complaint has been passed to me.

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.

Banks are expected to make payments in line with their customers' instructions. And Mr C accepts he made the payments here. So while I recognise he didn't intend for the money to ultimately go to scammers, he did authorise the payments. And so the starting position in law is that Lloyds was obliged to follow his instructions and make the payments. So Mr C isn't automatically entitled to a refund.

The regulatory landscape, along with good industry practice, sets out requirements for banks to protect their customers from fraud and financial harm. So, in line with this, I think Lloyds should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which account providers are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

But, even if Lloyds had identified that Mr C was at heightened risk of financial harm from fraud when making some of these payments, I don't think the action I would have expected it to take would have prevented his loss. I'll explain why below.

I'm satisfied Lloyds ought to have identified that Mr C was at heightened risk of financial harm from fraud by at least the point he tried to make the payment for £2,400 on 11 October 2023. At this point he had tried to make four payments over three days to a cryptocurrency exchange – which around this time I think Lloyds should have recognised meant the payments carried an elevated risk of being related to a scam. And the payments were increasing in size – which matches a pattern of payments often seen when customers are falling victim to a scam.

I think a proportionate response to the risk I think Lloyds should have identified would have been for it to stop the payment, ask Mr C a series of questions in order to try to establish the actual scam risk, and then to provide him with a written warning relevant to that risk. But, had it done this, I'm not persuaded it would have prevented Mr C's loss.

Lloyds did stop several payments Mr C made during this scam, and spoke to him over the phone about them before allowing them to go through. It explained the payments had been blocked by its fraud detection system and then asked him questions about the purpose of the payments and the circumstances surrounding them.

Lloyds asked whether Mr C was making the investment on his own or if he'd been contacted about it or had any support with it. And Mr C replied that he was doing it independently himself – despite now telling our service that the investment company was showing him how to make the payments. Lloyds also asked if Mr C had been asked to lie to his bank. And Mr C replied that he hadn't and again confirmed he was acting on his own – despite later telling Lloyds he had been told to lie to it by the investment company.

Mr H also told Lloyds he'd had his cryptocurrency exchange account for a while before making these payments. And that he had been studying cryptocurrency for between six months and a year to make sure he understood it, but was now confident so decided to invest – despite it now appearing that the post on social media and the guidance he received from the investment company was the reason he was making the payments.

Lloyds also explained to Mr C that it was seeing cryptocurrency scams at the moment where customers were encouraged to make payments and told they're getting returns, but the investments are fake and the customers lose their money. It also explained customers can be asked to move money from one platform to another but have then been told they need to pay large fees to withdraw and not been able to get their money out again. It also warned him that, if the investment turns out to be a scam, there isn't any way to reclaim the money. But Mr C still wanted to continue and make the payments.

So even if Lloyds had asked more probing and in-depth questions about the payments he was making here, I think Mr C would likely not have given it accurate or complete information about the purpose or circumstances surrounding them – as happened with the questions he was asked. And I don't think any warning I would've expected Lloyds to show after asking these questions would have affected Mr C's decision to make the payments – as the warnings it did give didn't. So I don't think anything I would have expected Lloyds to have done would have stopped Mr C from making the payments or losing the money he did here.

I appreciate that Mr C has been the victim of a cruel and sophisticated scam and that my decision will come as a disappointment to him. He has lost a significant amount of money and I sympathise with the position he has found himself in. But I can only look at Lloyds' responsibilities and, for the reasons I've set out above, I don't think anything I would reasonably have expected it to have done would have prevented the loss he suffered. And so I don't think it would be fair to require Lloyds to refund the money Mr C has lost.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 22 April 2025.

Alan Millward
Ombudsman