

## The complaint

Ms L is being represented by a claims manager. She's complaining about Lloyds Bank PLC because it won't refund money she lost as the result of fraud.

## What happened

Earlier this year, Ms L fell victim to two cruel scams. Firstly, someone she met online and thought she was in a relationship with introduced her to a job opportunity that required her to pay money to obtain access to tasks she would then complete in return for payment. Ms L made the following payments in connection with this scam:

Number	Date	Paid to	Amount £
1	2 Jan	fraudster's overseas account	2,600
2	11 Jan	fraudster's overseas account	2,000
3	15 Jan	fraudster's overseas account	4,000
4	29 Jan	cryptocurrency exchange	20
5	1 Mar	cryptocurrency exchange	900
6	4 Mar	cryptocurrency exchange	1,000
7	4 Mar	cryptocurrency exchange	8,800
8	13 Mar	cryptocurrency exchange	155

Some money was returned from the cryptocurrency exchange on 4 and 12 March but I understand the rest of the money Ms L sent it has been lost.

In an unconnected scam, Ms L responded to an advert she saw on Facebook to apply for a loan. She paid various fees but the loan never materialised. Ms L made the following payments to a different cryptocurrency exchange in connection with this scam:

Date	Amount £
5 Mar	15
6 Mar	30
6 Mar	15
12 Mar	98.79
12 Mar	82.55
12 Mar	82.64
12 Mar	123.63
12 Mar	82.41
12 Mar	214.23
12 Mar	164.86
12 Mar	214.30

Our investigator didn't recommend the complaint be upheld. In respect of the first scam, she noted Lloyds had intervened to question many of the payments but that Ms L hadn't been honest with the bank about what they were for. Based on the information it was given, she didn't think Lloyds was able to identify the scam that was taking place or that it could

reasonably have been expected to do more to prevent it. She also didn't think Lloyds should have done more to prevent the second scam.

Ms L didn't accept the investigator's assessment. Her representative argued that Lloyds' interventions weren't adequate and if they had been, it would have identified the payments were part of a scam. It says Ms L's cover story didn't hold up for scrutiny, for example when she told the bank she was buying earrings and a bag, a google search would have showed these could be purchased for lower prices. Her representative also feels Lloyds should have called Ms L into a branch and invoked the banking protocol, under which further questioning would have uncovered what was really going on.

The complaint has now been referred to me for review.

### **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've reached the same overall conclusions as the investigator, and for broadly the same reasons. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts. In considering this complaint I've had regard to the relevant law and regulations; any regulator's rules, guidance and standards, codes of practice, and what I consider was good industry practice at the time.

In broad terms, the starting position at law is that a bank such as Lloyds is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, '*authorised*' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

In this case, there's no dispute that Ms L authorised the above payments.

There are, however, some situations where we believe a business, taking into account relevant rules, codes and best practice standards, shouldn't have taken its customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Lloyds also has a duty to exercise reasonable skill and care, pay due regard to the interests of its customers and to follow good industry practice to keep customers' accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to fraud and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Ms L. I've considered the circumstances of each scam separately.

#### ***Scam 1 – the job scam***

Payments 1, 2 and 3 above were sent to an overseas account in the fraudster's name. Lloyds initially blocked payments 1 and 2 on 11 and 12 January pending a conversation with Ms L about what they were for. Following those conversations, Ms L instructed the payments again and they were allowed through. Lloyds also blocked an attempted payment of £9,000

of 12 January following a conversation with Ms L. She didn't make that payment again. Ms L then made a further payment (payment 3) on 15 January and this was put through without any attempted intervention.

I've considered Lloyds' interventions in respect of payments 1 and 2, including listening to recordings of its agents' telephone conversations with Ms L. In my view, the agents asked appropriate questions about what the payments were for. It also asked wider questions about where recent credits into her account had come from.

If Ms L had answered those questions honestly, it should have been possible for Lloyds to identify the payments were likely to be fraudulent. Instead, she told Lloyds she was paying money to a friend who she'd met in person and had known for a long time. And instead of saying the payments were to obtain online work, she said she was paying her friend back, including for goods he'd purchased on her behalf.

While Ms L's answers didn't allow Lloyds to identify the nature of the scam that was taking place, it did provide warnings about the possibility of fraud and that international payments are hard to recover if they're part of scam. The agents also provided links to information about common types of fraud and scams and recommended Ms L read this before making the payments again. In the circumstances, I don't think the bank could reasonably have been expected to provide a more detailed or tailored warning than this.

Based on the circumstances of these payments, I'm persuaded the action Lloyds took at the time was proportionate to the associated risks as it understood them. I wouldn't have expected it to have intervened further and I can't say it was at fault for processing the payments in accordance with Ms L's instructions.

Lloyds also spoke to Ms L on 12 January about a payment of £9,000 she'd attempted to make and it ultimately didn't allow this to proceed due to security concerns. During this call, Ms L again concealed the true reason for the payments but on this occasion the bank's agent wouldn't sanction the payment. He told Ms L this was because she said she was travelling to see her 'friend' the following week to pick up the items he'd purchased for her and she should see them before handing over any money. This is the call where Ms L gave some details of the high-end goods her 'friend' was said to have purchased for her. While I don't necessarily agree the agent should have identified these appeared overpriced, not least because he didn't have their exact specifications, he was clearly concerned enough to block the payment.

The payment of £4,000 on 15 January (payment 3) was for a much lower amount and I don't think Lloyds should necessarily have stopped it altogether. But I do think it should have questioned Ms L in the same way, particularly as it was to the same payee as the payment that was stopped only three days earlier. But if Lloyds had spoken to Ms L about this payment, given her previous interactions with its agents and the interactions that were still to come, I think it's likely she'd have continued to conceal the true reasons for the payment, meaning Lloyds wouldn't have been able to identify she was likely being defrauded or provide more detailed warnings about the type of scam that was taking place.

From 29 January, Ms L began making payments to the scam using cryptocurrency from an account she'd set up with an exchange. Her initial payments of £20 and £900 were relatively low and I wouldn't necessarily have expected Lloyds to question these further. Her next payment of £2,800 was larger but this was returned straight away meaning the money wasn't lost. Lloyds did then intervene when Ms L made further payments of £1,000 and £8,800, stopping them until it had spoken to her.

To assess whether Lloyds interventions were appropriate, I've listened to recordings of its agents' conversations with Ms L. Again, I'm satisfied appropriate questions were asked about what the payments were for and other activity on her account, including recent credits. And again, Ms L wasn't honest with her answers. In particular, she said she was trading in cryptocurrency (rather than paying for online work) and that she was doing this of her own volition and based on her own research, without being told to do so by anyone else. Lloyds did provide generic fraud warnings, including that many scams involve purchasing cryptocurrency. But in view of the information it was given, I don't believe it could reasonably have been expected to identify Ms L was likely to be the victim of fraud or identified what type of scam might be taking place so it could provide more detailed and tailored warnings.

On balance, aside from payment 3 on 15 January, I'm satisfied Lloyds correctly identified the transactions that required further questioning before they were processed. And that it carried out appropriate interventions before releasing those payments. It's my view those interventions were ultimately unsuccessful in preventing the fraud because it wasn't given accurate information about what was really going on. For the reasons I've explained, I don't think further intervention prior to processing payment 3 would have made a difference to the overall situation.

It seems clear Ms L was determined to make the payments and was prepared to say what she felt she needed to say to ensure they went through. Further evidence of her determination to make the payments is shown by the fact she set up an account with another UK bank in her own name after the £9,000 payment was blocked and transferred money to that account so it could then be passed onto the fraudster.

I've noted the view of Ms L's representative that the banking protocol should have been invoked in this situation. But in a situation where the true circumstances were being hidden and I think Lloyds wasn't able to determine the payments were likely to be fraudulent, I don't think this was a step that it should reasonably have been expected to take.

I want to be clear that it's not my intention to suggest Ms L is to blame for what happened in any way. She was under the spell of a fraudster who was clearly adept at manipulating victims. I can understand why she acted in the way she did. But my role is to consider the actions of Lloyds and, having done so, I'm not persuaded these were the cause of her losses.

### *Scam 2 – the loan scam*

Having considered what Lloyds knew about the payments at the time it received the instructions, I'm not persuaded it ought to have been concerned about them. This is because the overall value of the payments was relatively low and Ms L had a recent history of purchasing cryptocurrency for what she'd told the bank were legitimate reasons.

Lloyds has provided evidence to show it stopped a payment on 13 March, presumably because it had become concerned about the amount of payments over a short period of time, and it doesn't appear Ms L tried to make this payment again or any others to the same payee after that.

### *Recovery of funds*

I've also looked at whether Lloyds took the steps it should have once it became aware the payments were the result of fraud. It's provided evidence that I believe shows it made reasonable efforts to recover the first three payments sent to an international bank. Unfortunately, it wasn't able to recover any of this money successfully. The subsequent

payments were sent to cryptocurrency accounts in Ms L's own name and there was no basis for Lloyds to seek recovery.

*In conclusion*

I recognise Ms L has been the victim of a cruel scam and I'm sorry she lost such a large amount of money. I realise the outcome of this complaint will come as a great disappointment but, for the reasons I've explained, I think Lloyds acted fairly and reasonably in its dealings with her and I won't be telling it to make any refund.

**My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 24 December 2024.

James Biles  
**Ombudsman**