

The complaint

Miss D complains that Lloyds Bank PLC (Lloyds) won't refund money she lost in an investment scam.

What happened

What Miss D says:

Miss D was planning her forthcoming wedding and was short of money. So, she was looking to find ways of increasing her income. She often saw advertisements relating to crypto investments and was aware they were growing in popularity. She had no investment experience.

She then saw an advert which was apparently endorsed by a well know TV personality - and so thought it was genuine. She contacted the investment firm (which I will call 'firm A'). She got a phone call from someone claiming to be an investment broker. He explained he had a lot of experience and would help Miss D make the investments. He seemed very professional and knowledgeable.

Miss K opened an account with firm A and went through ID and registration processes. Firm A's website looked genuine; and he came to trust the 'investment broker'.

She made an initial investment of £248 (using her credit card). She then made further payments from her Lloyds bank account as follows (**continued**):

	Date	Payment	Amount
1	13 July 2022	Payment from credit card to crypto exchange	£248
	26 July 2022	Credit from Miss D's account at crypto exchange	(£48)

2	28 July 2022	Faster payment to Miss D's account at crypto exchange	£895
	10 August 2022	Credit from Miss D's account at crypto exchange	(£2,281)
3	16 August 2022	Faster payment to Miss D's account at crypto exchange	£1,744
4	31 August 2022	Faster payment to Miss D's account at crypto exchange	£2,000
5	31 August 2022	Faster payment to Miss D's account at crypto exchange	£6,650
	30 September 2022	Credit from Miss D's account at crypto exchange	(£6,723)
6	30 March 2023	Faster payment to Miss D's account at crypto exchange	£3,000
	Total net loss		£5,485

She could see in her 'investment account' that profits were being made. And so she was encouraged to put more money in. And some credits were received as shown in the schedule – so it appeared that the investment was going well.

In March 2023, Miss D was told a recent trade had made a loss and this meant she had to put more money in to get her investment account into credit. So, she put a further £3,000 in. But her account then went back to zero again and she lost contact with firm A. She then realised she'd been scammed.

As a result of the scam, Miss D lost her life savings. She suffers from sleepless nights and the scam is always on her mind. She feels shame and embarrassment, and lives in fear of being scammed again.

She says the payments from her Lloyds account were unusual . She says Lloyds should refund the money she lost plus interest at 8% per annum and pay compensation of £300.

What Lloyds said:

Lloyds didn't refund any money. The bank said the payments weren't out of character compared to the way she used her account. They were to a well-known payee and didn't give any cause for concern. And in this case, the scammer didn't call Miss D, but she'd reached out to firm A.

Lloyds also said the payments weren't covered by the Contingent Reimbursement Model (CRM) code – because they were to an account in Miss D's name, and the code doesn't cover such payments.

Our investigation so far:

Miss D brought her complaint to us and our investigator didn't uphold it. She said:

- Lloyds should have contacted Miss D on some of the payments. Lloyds' records

couldn't confirm if that had been done, or not.

- But this wouldn't have made a difference. Miss D appeared to be seeking an investment opportunity and initiated the contact with firm A. She thought she was dealing with a genuine investment firm.
- The credits received into Miss D's bank account were consistent with someone making investments and receiving returns into the account.
- There was insufficient evidence to show what research Miss D had done into firm A, and she believed the endorsement from the TV personality – when a google search would've shown he explicitly states he doesn't endorse such investments and his name is being used for scams.

Miss D didn't agree and asked that an ombudsman look at her complaint, and so it has come to me. She said that she would not have made the payments if Lloyds had contacted her. The reason that firm A paid funds to her was to entice her into believing the investment returns were genuine and so to encourage her to put more money in.

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.

I have been provided with some fairly limited information about this scam – we haven't seen many emails or online chats, nor any evidence of the money being moved from the crypto exchange to firm A. Miss D says most communications were by phone.

That said, there is enough here to say that Miss D has lost money in a cruel scam. It's not in question that she authorised and consented to the payments in this case. So although she didn't intend for the money to go to a scammer, she is presumed to be liable for the loss in the first instance.

So, in broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators' rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider 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 banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make 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.

I need to decide whether Lloyds acted fairly and reasonably in its dealings with Miss D when she made the payments, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it doesn't apply in this case. That is because it applies to faster payments made to another UK beneficiary – and in this case, the payments were made to Miss D's own account with firm A.

If the payments were of a sufficient size and were out of character with how Miss D normally used her account – then we would expect Lloyds to have intervened and spoken to Miss D about them. I looked at Miss D's account for the six months prior to February 2022 - and it's fair to say that the scam payments were unusual compared to the way in which she normally used it. I say that as the account was used for low value (less than £500) standing orders and direct debits. There were several transfers (of less than £1,000) – but these were internal transfers to/from Miss D's own account, so I don't regard those as payments. That is also the case for one large transfer of £8,000 in July 2022 that was to Miss D's personal account with Lloyds.

That said, there's also a balance to be made: Lloyds has certain duties to be alert to fraud and scams and to act in their customers' best interests, but they can't be involved in every transaction as this would cause unnecessary disruption to legitimate payments. In this case, I think Lloyds acted reasonably in processing the first three payments up to and including that on 16 August 2022 – as they were for a relatively low value.

But then I need to consider what happened on 31 August 2022. On that day, Miss D made two payments for £2,000 and then £6,650. For Miss D to make two large payments in one day was out of character, and they were to a known crypto exchange – which was known to carry a higher risk of fraud and scams.

Lloyds can't say if they intervened or not – and here, Miss D says the bank didn't, so I assume that was the case.

But in deciding this case, I must consider what might have happened had Lloyds contacted Miss D.

And here – I can see that by that time; Miss D had been trading with firm A for some time. Up to 10 August 2022, she had made a net profit - paid into her bank account of more than £1,100. This was because of the credits paid to her.

And up to 31 August 2022 (when the payments in question were made) – she had only paid out a net £558 to firm A. So – she hadn't lost any significant money.

So, had Lloyds intervened I think it's likely that Miss D would've told the bank just that - she appeared to be involved in a genuine investment scheme which appeared to be working as intended. She had received credits totalling more than £2,300 by that time.

And then, when Miss D made the final payment of £3,000 in March 2023 – she had by then received a further, large credit of over £6,700. So, again, it would have appeared to Miss D that the investment was working as intended.

So, I'm persuaded that on this occasion that even if Lloyds had intervened, it's unlikely that the bank could've 'broken the spell' and prevented Miss D from making the further payments.

This means that while I sympathise with the losses Miss D has made and the effect this has had on her, I do not uphold this complaint.

Recovery: We expect firms to quickly attempt to recover funds from recipient banks when a scam takes place. I looked at whether Lloyds took the necessary steps in contacting the bank that received the funds – in an effort to recover the lost money.

And here, the funds went from the bank account to a crypto currency merchant and the loss occurred when crypto was then forwarded to the scammers. In this case, as the funds had already been forwarded on in the form of cryptocurrency there wasn't likely to be anything to recover. This is also likely to have been the case given the passage of time since the scam occurred.

Miss D has lost a lot of money. She's explained why the money was important to her, and the impact her losses have had. She will therefore be disappointed by my decision, but I'm not going to ask Lloyds to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 28 April 2025.

Martin Lord
Ombudsman