

The complaint

Mrs B is unhappy that Lloyds Bank PLC will not refund £5,000 that she lost as the result of an authorised push payment (APP) scam.

Mrs B brought her complaint to this service through a representative. For ease of reading I will refer solely to Mrs B in this decision.

What happened

As both parties are familiar with the details of the scam I won't repeat them in full here. In summary, Mrs B fell victim to an investment scam. On 14 February 2019 she sent a faster payment of £5,000 to firm B, a clone of a regulated firm, to invest in a one-year bond. The scammer posed as representative of the legitimate firm. They contacted Mrs B after she had been researching the genuine investment opportunity online. This was following a recommendation from her former boss. When the bond expired and she didn't receive any return, or any contact from the firm, she realised she had been scammed. She reported this to Lloyds on 12 June 2020.

Mrs B says Lloyds did not do enough to protect her money.

Lloyds said it continuously monitors accounts for unusual activity, and steps in if something doesn't seem right. But Mrs B's account activity wasn't unusual and as the payment wasn't out of character, it couldn't have known she was being scammed. It paid Mrs B £50 compensation as it accepted it had provided poor service in June 2020. It said it should've gained Mrs B's consent to contact the receiving bank so it could ask them to return any remaining funds. Although, it's highly unlikely any funds would've remained due to the time lapsed.

Our investigator did not uphold Mrs B's complaint. She said the payment was not out of character such that Lloyds ought to have identified there was a risk of financial harm to Mrs B. She found the £50 compensation for the poor service Lloyds provided in June 2020 to be fair.

Mrs B disagreed with this assessment and asked for an ombudsman's review. She said the activity was unusual - it was to a new payee after a payment for the exact same amount had credited her account. Lloyds should have contacted her.

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 am not upholding Mrs B's complaint. I'll explain why.

There's no dispute that Mrs B made and authorised the payment. And Mrs B knew why she was making and authorising the payment. At the stage she was doing it, she thought she was sending money to invest in a one-year bond. I don't dispute Mrs B was scammed and

she wasn't making and authorising the payment for the reason she thought she was, but I remain satisfied the transaction was authorised under the Payment Services Regulations 2017.

It's also accepted that Lloyds has an obligation to follow Mrs B's instructions. So in the first instance Mrs B is presumed liable for the loss. But there are other factors that must be taken into account.

To reach my decision I have taken into account the law, regulator's rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time. This means I think that Lloyds should have:

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

Certain scams are also covered under the Contingent Reimbursement Model code. But this payment pre-dates the introduction of this code on 28 May 2019 so the provisions in it do not apply here.

But this does not change Lloyds' obligations to work to protect its account holders from fraud, amongst other risks. This means in this case I have to decide whether the bank ought to have intervened and paused the payment until it had made contact with Mrs B.

In the circumstances of this case I do not think the transaction warranted an intervention from Lloyds. I say this as it was not the first payment from Mrs B's account of around this value, it did not drain the account and didn't have the characteristics of a potential scam. Whilst Mrs B did not make frequent payments of this value - the last two were in October 2018 - a one-off payment of a higher value need not in itself be seen as suspicious. It is not uncommon for account holders to make one-off high value payments.

Mrs B argues that the previous similar value payments were to family, this was to a new payee. But I don't think the payee negates my finding here. There is a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. In this case, in the round, I cannot fairly conclude that Lloyds ought to have intervened in the transaction or to have reasonably suspected Mrs B was the potential victim of financial harm.

I have then thought about whether Lloyds did enough to try to recover Mrs B's money when she reported the scam in June 2020. I would have expected it to contact the receiving bank to see if any funds remained, though I accept this would have been highly unlikely given it was 16 months since she paid the scammer. So I can't fairly conclude that its failure to do so caused any loss to Mrs B. It has paid Mrs B £50 for its poor service and I think this is reasonable.

This means I am not instructing Lloyds to refund any money to Mrs B. I'm sorry Mrs B lost a considerable amount of money which was very distressing for her. I can understand why she would like to be compensated for her loss. And I do accept Mrs B has fallen victim to a

sophisticated scam. But I can only consider whether the bank, which had no involvement in the scam itself, should be held responsible for what happened. For the reasons set out above I do not find Lloyds can be held liable in the circumstances of this case.

My final decision

I am not upholding Mrs B's complaint.

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

Rebecca Connelley
Ombudsman