

## **The complaint**

Mr Y complains that Lloyds Bank PLC ('Lloyds') have declined to refund him approximately £5,000 which he lost as a result of a scam.

## **What happened**

The details of this complaint are well-known to both parties, so I will not go into every detail of what happened here. But in summary, in February 2024 Mr Y was in touch with a cryptocurrency broker. He decided to invest, and over the course of roughly two and a half months he sent six payments totalling just under £5,000 from his Lloyds account. Unfortunately, it later transpired that he had fallen victim to a scam.

Mr Y explained that he was contacted by someone purporting to be a cryptocurrency broker from a trading platform. They spoke over email, phone and a messaging app, and they persuaded him to open an account with the cryptocurrency trading platform. They added £20 to his account to trial their investment offer, and he was able to invest this and track the investment. He was able to successfully withdraw £15.91, which represented the profits, which Mr Y said persuaded him that the platform was legitimate. Mr Y said they asked him to open an account with a legitimate electronic money institute ('EMI'), where he sent his funds before he sent them onto their platform. He then sent the following payments:

- 23 February - £500
- 1 March - £250
- 12 March - £400
- 20 March - £150

In April they contacted him about a new scheme, promising returns of 1000-3000%. They said it operated through an automated trading robot that guaranteed no losses. His initial investments seemed to be growing well, so Mr Y decided to get involved in the new scheme. He signed documentation and his funds were moved from his trading account to the robot.

When Mr Y wanted to release his profits, he was told he would have to pay 3.3% of the profits upfront, which meant he would have to pay over £10,000. The scammers offered him a payment plan which allowed him to send the first third initially, which would allow a third of the profits to be released. Mr Y sent £3,300, but was then told that had been based on the previous value of the cryptocurrency for the previous week so he paid another £350 to cover an alleged shortfall. He was then told that he actually had to pay 50% of the fees.

Mr Y described how his attempts to withdraw his funds were met with excuses and reassurances. As they persisted, Mr Y began to become concerned and then he noticed that the broker was no longer contactable through the various communication methods he had used before. He said at this point he realised he had fallen victim to a scam and reported the matter to Action Fraud in July 2024. He also raised his concerns with Lloyds.

Lloyds looked into what had happened and declined to refund Mr Y's losses. In summary, they said that they had intervened on three of the payments and spoken to Mr Y about the payments. They said that they had explained the scam risks associated with payments to cryptocurrency, and about the increased use of the specific messaging app in scams. They said that Mr Y had not been entirely honest about the payments as he said that the money

would remain in his control when it was in the cryptocurrency wallet. They also felt that he did not do sufficient due diligence on the investment, which was offering unrealistic returns.

Unhappy with what Lloyds had decided, Mr Y escalated his concerns to our service and one of our investigators looked into what had happened. They did not recommend that Mr Y's complaint be upheld. They said that they would not have expected Lloyds to intervene until the fifth payment of £3,300 due to the relatively low values of the first four payments. But they recognised that Lloyds had identified earlier payments as a scam risk, due to the fact that they spoke to Mr Y. They said that listening to the calls, Mr Y had not been honest about numerous things. Whilst they understood that this was because he had been coached in what to say by the scammer, this meant that Lloyds were not told the true circumstances of the payments. So, they did not think that any further intervention would have identified the scam or prevented his loss.

Mr Y remained dissatisfied. In summary, he said that he did not think that Lloyds had fulfil its duties because:

- His vulnerability significantly impaired his ability to protect himself from falling victim to fraud and scams, citing financial pressure due to visa costs and the increased cost of living.
- The financial activity on his account during the scam showed significant deviations from his normal account activity, and formed a pattern which was indicative of a scam. They particularly ought to have intervened in the sixth and largest payment of £3,300 as this was unusual and out of character when compared to his normal spending.
- He had no prior knowledge of investments in cryptocurrencies, nor the prevalence of scams in this space. He was an unwitting and blameless victim who had been manipulated by the scammers.

As no agreement could be reached, the case has been passed to me to decide.

### **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 would like to start by saying that I was sorry to read about the impact this cruel and callous scam has had on Mr Y, particularly when he had been going through a difficult time in his life financially prior to the scam. I can tell from the evidence that we have that this has had a significant impact on Mr Y, so I would like to start by offering my sympathies for what he has been put through.

My role here is to assess Lloyds' actions against what they should have done. And having done so, I do not think it would be fair and reasonable for me to hold Lloyds liable for Mr Y's losses. So, having considered everything, I am not going to uphold Mr Y's complaint. I do appreciate how disappointing this will be for him, but I don't think I can fairly say that Lloyds should reimburse him with the money that was unfortunately lost to the scammers. I'll explain why.

There is no dispute that the transactions were 'authorised' payments, even though Mr Y was the victim of a sophisticated scam. Mr Y made the payments himself, and under the relevant regulations and the terms and conditions of her account, Mr Y is presumed liable for the payments in the first instance.

But I've also 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. In this case, this does not include the Lending Standards Board Contingent Reimbursement Model ('CRM') Code as this code requires the payment to have gone directly to a scammer, and in

this case the funds went to an account Mr Y set up and had access to in his own name with the legitimate EMI. But based on the other relevant rules relating to authorised push payment scams, 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 and out of character 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 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.

So, I consider that as a matter of good practice, Lloyds should have been on the lookout for unusual and out of character transactions and where necessary, taken proportionate interventions. I agree with our investigator that the first four payments were not sufficiently unusual and out of character to have demonstrated that Mr Y was at risk of fraud or financial crime. Whilst Mr Y had not made payments to cryptocurrency before, the amounts were relatively low and there was nothing else in the pattern of payments which was indicative of fraud such as rapid sending of funds, or the draining of the account.

But Lloyds did indeed intervene earlier, so they must have recognised them as posing a scam risk. Lloyds stopped the first three payments and requested that Mr Y call them. I've listened to the calls, which I will summarise collectively as they took place earlier in the payments than I would have suggested it was necessary.

During the calls, Mr Y was asked a series of questions by Lloyds. In response, Mr Y told them that he was sending money to his own account held with the legitimate cryptocurrency provider. He confirmed how long he had been using the legitimate EMI. He confirmed that he was making the investments of his own volition, without any third party involvement at any point from setting up the account, to the payments, to the trading on the account. He confirmed no one had contacted him about investments or money making schemes. He was able to specify what kind of cryptocurrency he was going to invest in. He described the process of setting up the EMI account, and how trading on it worked. He confirmed he was not part of any group chats, or not otherwise being guided in the trades by anyone else. He confirmed that he still had earlier payments in the EMI account, and no one had asked him to send money to other wallets.

Lloyds went through a variety of scam warnings which were relevant to the type of scam Mr Y was falling victim to. They were clear that they were not against him moving his money to cryptocurrency, but that they did not want to see him lose access to his funds as this was unfortunately happening a lot. Amongst other questions and warnings, they told him:

- Scammers would often pose as account managers or financial advisors and encourage people to move money from the legitimate EMI to other platforms which may be unsafe or even scams.
- Whilst the money was with the legitimate EMI it was safe but sending it on further could cause him to lose the cryptocurrency.
- If you need to contact someone to withdraw money from your own account – this is a scam and not a real account. Scammers will charge a fee for withdrawing funds but real accounts will allow you to do this yourself.

- That scammers knew that unregulated cryptocurrency accounts were not as protected as bank accounts.
- That because money is tight for people at the moment, scammers are contacting people out of the blue with a money-making scheme and then lose their money.
- A lot of scammers were using the specific type of messaging app Mr Y was speaking to the scammer on.
- That if someone is telling you what to do with your money or cryptocurrency, chances are they are scammers trying to get access to it. Only make payments yourself, based on your own research.
- That cryptocurrency is not fully regulated, and not covered by the Financial Services Compensation Scheme if something goes wrong.
- That cryptocurrency is extremely volatile and so you should only invest what you can afford to lose.

Whilst Lloyds did not intervene on the £3,300 payment, I think it is reasonable to assume that Mr Y would have answered questions and responded to warnings in a similar way if they had done. He had been coached by the scammer to withhold information about the circumstances surrounding the payments he was making and had been able to persuade Lloyds the payments were safe three times already. The quality of the intervention calls was good. Lloyds warned Mr Y about the type of scam he was falling victim to, describing very specific characteristics of these type of scams and how they work in a clear way. There were many explanations about cryptocurrency scams which related specifically to the scam Mr Y was falling victim to – such as warnings about third party involvement, moving money onto secondary platforms away from the legitimate EMI and so on. When considering all of this, I think Lloyds did do what I would expect of them in their interventions here. And I do not think that a further intervention for the £3,300 would have prevented the loss here. Mr Y was well coached, and whilst I do appreciate he was following the scammers instructions, this prevented Lloyds from being able to understand the full circumstances of the payments. I do not think there was anything in his voice or demeanour, nor nothing in the content of his words, which would have allowed Lloyds to discover the scam, or that ought to have given Lloyds such cause for concern such that they should have stopped the payments altogether. So, I do not think it would be fair and reasonable to ask them to refund Mr Y's losses here.

#### *Recovery of funds*

I've thought about what Lloyds needed to do to recover funds here. The payments from Lloyds went to Mr Y's own account held with a legitimate, regulated EMI. The money was moved into the control of the scammers before the scam came to light. So, there would be nothing Lloyds could do to recover these funds.

#### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 8 October 2025.

Katherine Jones  
**Ombudsman**