

The complaint

Mr S complains that Lloyds Bank Plc won't refund him after he was the victim of a scam.

Mr S is represented by a professional representative, but for ease of reading I'll refer only to Mr S.

What happened

The background to this complaint is well known to the parties, so I will summarise what I consider to be the key points.

Mr S was contacted by someone claiming to be an overseas lawyer and that an acquaintance of his had died, also overseas, and had instructed that Mr S should be the beneficiary of a gift. He was told the gift was €200,000 but there were some complications and that he needed to pay certain fees. As the scam developed, Mr S was told that further complications had arisen, and additional fees and taxes needed to be paid. This continued over some weeks until eventually Mr S realised he had been scammed. He discovered the scammer had been impersonating a genuine lawyer, but the genuine lawyer knew nothing about the matter.

Mr S says he made the following debit card payments to the scammers before he realised it was a scam:

Date	Amount	Payee
24/02/2022	£360	Own account
07/03/2022	£1,691	Own account
01/04/2022	£866	Own account
09/06/2022	£698	Own account
20/06/2022	£351	Own account

Mr S complained to Lloyds but it didn't uphold his complaint. He says Lloyds should maintain proportionate and risk sensitive policies to identify, assess and manage risk. He said it should have had systems in place to look out for unusual transactions that might indicate a fraud risk, but it failed to do so. He considered the transactions were unusual for his account and Lloyds ought to have intervened.

Lloyds says Mr S could have done more to protect himself from this scam. He didn't check who he was dealing with, other than checking their name in an internet search. It said making payments to receive money should have caused him concern.

Our investigator said the Contingent Reimbursement Mode (CRM) Code didn't apply because the payments were made by debit card. He didn't think the payments would have stood out as suspicious or unusual as they were relatively low value, the payments were infrequent, it was an established payee Mr S had sent money to many times before and there were no other particular features that would have raised Lloyds's suspicions. Lloyds wasn't able to raise chargeback requests as the money had been sent and received by another of Mr S's accounts.

Mr S didn't agree. He said while the CRM code might not apply, reasonable safeguards should still apply. The payments were to another of his accounts but should have raised red flags based on the provider of his account, the pattern of escalating payments and the total amount paid. Together, this warranted scrutiny and intervention by Lloyds.

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've been provided with copies of the messages between Mr S and the scammer and I'm satisfied the fraud occurred broadly as Mr S describes. There is no dispute that Mr S authorised the payments. I appreciate he didn't intend his money to go to scammers. Under the Payment Services Regulations 2017, he is liable for the loss in the first instance. But the matter doesn't end there.

In this case, the CRM code does not apply because the transactions were made by debit card and appear to have been between two accounts held by Mr S. However, taking into account the law, regulatory 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 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.

Having considered everything, I'm not upholding Mr S's complaint.

The transactions in question were for relatively small amounts, they were infrequent with the closest two transactions being made 11 days apart and they were made to an established payee, which was another of Mr S's accounts. In the six months before the scam, Mr S made frequent payments from his Lloyds account to this payee, for varying amounts including individual payments for several hundred pounds and one for payment for over £2,000. Transactions of various types, including transactions to and from other accounts controlled by Mr S appear to be a regular feature of his account activity. In my view, these transactions were not out of character, rather they appear to be fairly typical of his usual account usage.

I don't think there was a pattern of escalating payments, as Mr S suggests. After the second payment, they actually decreased in value and it's important to remember these transactions didn't happen in isolation. During this period Mr S was making other payments to the same account that he hasn't complained about and which were for varying amounts. Neither do I consider the combined amount of the transactions was particularly high or suspicious,

especially given the fairly frequent payments made to this account, over a period of many months.

Recovery

As the transactions were made to an account controlled by Mr S, which received the payments in from Lloyds, it's unlikely Lloyds would have been able to successfully raise chargebacks for these transactions.

Overall, I don't consider Lloyds was at fault here as I don't consider the transactions ought to have triggered any particular suspicion that Mr S might be at risk of fraudulent activity.

My final decision

I don't uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 February 2025.

Greg Barham
Ombudsman