

The complaint

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

What happened

What Mr D says:

Mr D wanted to make some extra money to pay for childcare responsibilities.

Mr D was introduced to an investment firm (which I will call 'firm X') by some friends. They boasted about how much money they had made from their investments in it. He'd known one of them for years and considered him a trusted advisor. Online reviews showed many others were investing in firm X. There were many YouTube videos online which convinced him the opportunity was genuine. He was added to a WhatsApp group - and its members confirmed they'd done well. Some said they'd doubled their money. **(continued)**

Mr D sent the following payments to his account at another bank ('bank A'), and from there transferred to money to a crypto wallet, from where the funds were transferred to the scammer firm X.

Date	Payment	Amount
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8 November 2023	Faster payment to Mr D's account at bank A	£500
9 November 2023	Faster payment to Mr D's account at bank A	£500
10 November 2023	Faster payment to Mr D's account at bank A	£500
13 November 2023	Faster payment to Mr D's account at bank A	£500
13 November 2023	Faster payment to Mr D's account at bank A	£500
16 November 2023	Faster payment to Mr D's account at bank A	£250
16 November 2023	Faster payment to Mr D's account at bank A	£100
17 November 2023	<i>Transfer to Mr D's savings account</i>	<i>(£1,800)*</i>
20 November 2023	Faster payment to Mr D's account at bank A	£100
21 November 2023	Debit card to Mr D's account at crypto exchange	£520
Total		£3,470

**not considered part of the scam*

He could see his deposits growing rapidly in his online wallet, so he continued to put money in. Then, nearing 'Thanksgiving' holiday in the USA, firm X said they were going to match new deposits as a bonus. Mr D put in a further £625 and it was matched instantly. But when he went to withdraw the money, the website crashed. Firm X claimed it had been hacked, but Mr D then realised this was a scam operation.

Mr D says Lloyds should've intervened and protected him. He says Lloyds blocked a payment to a crypto exchange on 20 November 2023, but he wasn't warned about anything. If anything, he was made to feel good about making the payment. And it was allowed to go through. Mr D says he wouldn't have gone ahead if he was warned about the dangers of scams.

As a result of the scam, Mr D feels ashamed. He also introduced his partner to firm X and she also lost money. He is now short of money and couldn't afford to pay for Christmas - just after losing the money.

What Lloyds said:

Lloyds didn't refund any money or uphold Mr D's complaint. The bank said the Contingent Reimbursement Model (CRM) code didn't apply as the payments were to an account in Mr D's name. The bank called Mr D when he made the debit card payment on 20 November 2023 - and he was warned of the risks of investing in crypto currency. He told the bank he was acting by himself – there was no reason not to believe what Mr D told them.

Lloyds said the point of loss was when Mr D transferred money from bank A to the scammer firm X, not when he made the payments from his Lloyds account.

Our investigation so far:

Mr D brought his complaint to us. Our investigator didn't uphold it. He said the payments made weren't out of character compared to the way in which Mr D normally used his account. So, he didn't think Lloyds needed to intervene.

He listened to the call between Lloyds and Mr D and on it, Mr D said he had previously invested in crypto before and he was making the payment by himself. But looking at the chats with the scammer, it's evident that Mr D was being coached – so he wasn't truthful with the bank. If he had been, the bank might well have asked further questions.

Mr D didn't agree and asked that an ombudsman look at his complaint, and so it has come to me.

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.

The payments in this case were sent to bank A and then to the scammers. I note that Mr D has also brought a complaint about bank A to this service. I can also see that the Financial Conduct Authority (FCA) published a warning about firm X on 5 December 2023 – which was just after Mr D made his payments. It later emerged that firm X was operating a 'pyramid' scheme. Online reports shows the firm were the subject of legal action in the USA in February 2024.

Mr D's advisors included a payment of £1,800 – but this was a transfer to Mr D's savings account, not to bank A. So I've excluded it from this decision. But in saying that, even if it was to be included, it wouldn't change my decision in any case.

I'm sorry to hear that Mr D has lost money in a cruel scam. It's not in question that he authorised and consented to the payments in this case. So although Mr D didn't intend for the money to go to a scammer, he 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 Mr D when he 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 Mr D's own account with bank A.

The important matter here is whether this were payments that Lloyds might reasonably have considered unusual, and therefore whether they should've held or stopped the payments and contacted Mr D.

I looked at Mr D's account history with Lloyds. And I don't think the payments were unusual for him. He made regular payments (excluding transfers to his own savings account) of similar amounts (or more) than the disputed payments. For example, I can see:

March 2023: £400.

April 2023: £250, £400, £2,479.

May 2023: £387, £650.

June 2023; £250.

July 2023: £486, £598, £2,494, £250.

August 2023: £650.

September 2023: £480, £650.

October 2023: £2,500, £1,750, £222, £3,150, £800. £480, £3,200.

So, given this I don't think it's reasonable to have expected Lloyds to intervene in the scam payments – as they didn't seem unusual for Mr D to make.

And while I accept this was a lot of money to Mr D, the payments in question were in fact fairly low value ones. There was also nothing else about the payments that ought reasonably to have concerned Lloyds. There's a balance to be struck: 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 payments

It's clear that Mr D was coached by the scammers. I can see from the online chats – that Mr D was advised to make the payments in lots of £500, so as not to alert the bank. So, because of this, the payments were kept to a relatively low value, and so Lloyds couldn't have seen them as being unusual. I also noted that the scammer advised Mr D to use bank A – as they were seen as being more likely to allow the payments through.

And on the call between Mr D and Lloyds on 20 November 2023 (which I listened to) – he was asked if anyone else was involved with the payment, and he said there wasn't. So given all of this, I don't think I can reasonably say that Lloyds could've broken the spell that Mr D was under; or therefore managed to stop him making the payments. So, I don't consider Lloyds could've done anymore to protect Mr D.

This means that I do not uphold Mr D's 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. I saw no evidence that the bank did so.

But in this case, the funds went from the bank account to bank A and then to a crypto currency merchant and the loss occurred when crypto was then forwarded to the scammer firm X. 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.

I'm sorry Mr D has had to contact us in these circumstances. I accept he's been the victim of a cruel scam, but I can't reasonably hold Lloyds responsible for his loss.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 30 April 2025.

Martin Lord
Ombudsman