

## The complaint

Mr N complains that Lloyds Bank PLC won't refund the money he lost when he was the victim of a scam.

## What happened

In May 2023, Mr N met a woman on a dating website. They started talking and their relationship developed to the point where they were talking most days and Mr N thought they were in a romantic relationship.

Sometime after they started talking, the woman started asking Mr N to send her money for day-to-day expenses. She also said she was trying to move house and was due a significant compensation payment following her mother's death, so asked Mr N for money to help with fees connected to these too. And as Mr N trusted the woman, he made a number of payments to account details she gave him – firstly from a business account and then from his personal Lloyds account.

I've set out the payments Mr N made from his personal Lloyds account below:

Date	Details	Amount
19 January 2024	To 1 <sup>st</sup> account details	£1,510
19 January 2024	To 1 <sup>st</sup> account details	£1,400
22 January 2024	To 1 <sup>st</sup> account details	£310
22 January 2024	To 1 <sup>st</sup> account details	£2,850
<b>23 January 2024</b>	<b>To 1<sup>st</sup> account details</b>	<b>£3,100</b>
23 January 2024	To 1 <sup>st</sup> account details	£1,005
<b>24 January 2024</b>	<b>To 1<sup>st</sup> account details</b>	<b>£4,600</b>
<b>25 January 2024</b>	<b>To 1<sup>st</sup> account details</b>	<b>£3,100</b>
25 January 2024	To 1 <sup>st</sup> account details	£777
25 January 2024	To 1 <sup>st</sup> account details	£577
25 January 2024	To 1 <sup>st</sup> account details	£701
26 January 2024	To 2 <sup>nd</sup> account details	£1,300
26 January 2024	To 2 <sup>nd</sup> account details	£350
29 January 2024	To 1 <sup>st</sup> account details	£610

Unfortunately, we now know the woman was a scammer. The scam was uncovered after the woman stopped responding to Mr N's messages. Mr N then reported the payments he had made to Lloyds and asked it to refund the money he had lost.

Lloyds investigated but said it hadn't made an error when processing the payments and Mr N should have realised the woman wasn't genuine by the time these payments were made. So it didn't agree to refund any of these payments. Mr N wasn't satisfied with Lloyds' response, so referred a complaint to our service.

One of our investigators looked at the complaint. They thought Lloyds had established that Mr N didn't have a reasonable basis for belief that the woman was genuine when these

payments were made, but also thought Lloyds should've done more to protect Mr N for some of the payments. So they recommended Lloyds refund 50% of three of the payments. Mr N disagreed with our investigator, so the complaint has been passed 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.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

Lloyds is a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This requires firms to reimburse customers who have been the victim of authorised push payment scams, like the one Mr N fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
  - o the payee was the person the customer was expecting to pay;
  - o the payment was for genuine goods or services; and/or
  - o the person or business with whom they transacted was legitimate

There are further exceptions within the CRM code, but these don't apply here.

#### *Did Mr N have a reasonable basis for belief when making the payments?*

Lloyds has argued that Mr N didn't have a reasonable basis for belief when making these payments. And while I appreciate he has been the victim of a cruel scam, I do think there were a number of things about what was happening and what he was told that should have caused him significant concern.

From what he's told us, Mr N appears to have first met the woman through a legitimate dating website and to have briefly met the woman in person shortly after they started communicating. They also shared a significant amount of communication about a variety of subjects over a significant period of time. And so I think it's possible Mr N had a reasonable basis for belief that the woman he was speaking to was genuine when he first started communicating with her and first started sending money to her from his business account.

But as their communication continued, Mr N tried to arrange to meet the woman a number of other times and she would agree – only to cancel at the last minute or just not show up, despite several times being sent money by Mr N to pay for travel to get there. So I think her cancelling meetings in this way and then having only met her briefly once over more than six months should have caused Mr N significant concern.

The woman would frequently ask for money to pay for unexpected costs that had arisen at the last minute. There were also several occasions where she would ask Mr N for money, only to then immediately ask for more money after he sent what she had asked – claiming

that she had miscalculated what she needed. And I think being asked for frequent, unexpected payments in this way should have caused Mr N some concern.

After he had sent her a significant amount of money, the woman also started telling Mr N she would pay at least some of the money back to him. But she then missed a number of deadlines she had given him, and each time would give a new excuse for why the money couldn't be sent to him and a new deadline for when he would receive it. And, from what I've seen, Mr N doesn't appear to ever have received any money back from the woman, despite several promises from her that he would. So I think this should also have caused him significant concern.

Some of the money Mr N sent the woman was supposedly to help her buy a house, and she tells him she has agreed to buy a house and that he will be put on the deeds of the property in exchange for the money he has sent. But Mr N was never sent any paperwork relating to the house purchase or his being added to the deeds – despite this being a complex, formal process which would require a significant amount of paperwork or documented record. He also speaks to the estate agents marketing the property the woman says she has agreed to buy, and is told she has never visited the property or made an offer on it. And I think this lack of formal record of what was supposedly happening and contradictory information from the estate agent should also have caused him concern.

Several times throughout his communication with the woman, Mr N expresses doubts that what she is telling him is genuine and questions whether this was a scam. He also requests a number of documents or other evidence from her as proof that what she is telling him is true. But Mr N then either doesn't receive what he asked for, with no plausible explanation for why it can't be sent to him, or receives documents which he says friends of his have said aren't genuine. So Mr N appears to have had doubts about whether what he was being told was genuine, and I don't think the explanations or documents he received in response to his questions should have been enough to overcome these doubts.

From what he's said, it also appears Mr N's family and another bank he tried to send money from expressed concerns that he was the victim of a scam. But he didn't heed these warnings and continued to send money to the woman.

So, by the time Mr N made these payments out of his personal Lloyds account, I think there were a number of things about what was happening and what he was being told which should have caused him significant concern. And I think these things, particularly in combination, should have been enough to overcome the parts of the scam which felt genuine.

And so I think Lloyds has established that Mr N made the payments from his personal account here without a reasonable basis for belief that they were genuine. Lloyds has therefore established that one of the exceptions to reimbursement under the CRM code applies here, and it does not have to refund Mr N all the money he lost.

*Did Lloyds meet its obligations under the CRM code?*

Even though I don't think he had a reasonable basis for belief when making these payments, Mr N may still be entitled to a refund of some of the money he lost if Lloyds didn't meet its obligations under the CRM code – one of which is to provide effective warnings when it identifies a scam risk.

Most of the payments Mr N made from his personal account as a result of this scam weren't for particularly large amounts, or amounts where I would have expected Lloyds to identify a scam risk based on their size alone. And as they fluctuated up and down in size, I also don't think they formed a pattern I would have expected Lloyds to identify as particularly suspicious either. So I think it's reasonable that Lloyds didn't identify a scam risk as a result of most of these payments.

But I think Lloyds should have identified a risk when Mr N tried to make the payments of £3,100 on 23 January 2024, £4,600 on 24 January 2024 and £3,100 on 25 January 2024 (highlighted in bold in the table above). These payments were for larger amounts, and so I think Lloyds should have shown Mr N an effective warning before allowing them to go through.

Lloyds has said it didn't intervene or show Mr N any warnings before he made these payments. So, as it didn't show him an effective warning before he made them, I don't think Lloyds has met its obligations under the CRM code in relation to these payments.

Where one of the exclusions to reimbursement applies, but a firm has also failed to meet its obligations, the CRM code sets out that the customer is then entitled to a refund of 50% of the money they lost.

So as I think Lloyds has established that Mr N made the payments without a reasonable basis for belief but that Lloyds failed to meet its obligations under the CRM code in relation to the payments of £3,100 on 23 January 2024, £4,600 on 24 January 2024 and £3,100 on 25 January 2024, I think Mr N is entitled to a refund of 50% of the money he lost from these three payments.

Lloyds has argued that the money to fund the payments Mr N made here came from his business account, and so he hasn't personally suffered a loss. But I'm satisfied Mr N was making the payments in his own personal capacity here, rather than on behalf of his business. How a director accounts for money drawn down from a business into their personal account isn't a matter for our jurisdiction. And once funds move from a business account to a director's personal account, they are considered the director's funds. So I'm satisfied Mr N has suffered a personal loss here and it would be fair to require Lloyds to refund some of this loss.

*Did Lloyds do enough to recover the money Mr N lost?*

We expect banks to take reasonable steps to try to recover the money their customers have lost, once they are made aware of a scam.

But, from what I've seen, I don't think anything I would have expected Lloyds to have done would have led to any of Mr N's money being recovered. And so I don't think it would be fair to require Lloyds to refund any more of the money Mr N lost on that basis.

### **My final decision**

For the reasons set out above, I uphold this complaint in part and require Lloyds Bank PLC to:

- Refund Mr N 50% of the loss he suffered as a result of this scam, from the three payments set out above – for a total of £5,400
- Pay Mr N 8% simple interest on this refund, from the date it initially responded to his claim until the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 5 June 2025.

Alan Millward  
**Ombudsman**