

The complaint

Mrs B is unhappy that Lloyds Bank PLC ("Lloyds") won't refund the money she lost to an investment scam.

What happened

I'm not going to cover all the points raised in detail. The view of 12 December 2024 covered the detailed timeline of the transactions and the details of Mrs B's testimony. But briefly in August 2023, Mrs B fell victim to an investment scam. She was introduced to the investment by a friend she'd known for 40 years and met on a regular basis. Her friend had been investing with a company - I will refer to as C in this decision - for four months and had been making good returns. After further research, Mrs B decided to go ahead. She made payments to a cryptocurrency wallet in her own name and from there transferred the payments on to what she believed was a trading platform with C. After a few weeks, when Mrs B had received some returns, she took out a loan which she also invested and initially got returns. But shortly after, the website shut down and she then realised she'd been the victim of a scam.

Lloyds said the payments were made to accounts in her own name and the Contingent Reimbursement Model (CRM) Code doesn't apply. It said the initial payments weren't unusual and by the time they increased in value, they'd become part of the usual spend so there was no cause to intervene. It said the payments were made online via open banking and no warning would have been provided. It also said, as the payments were made to accounts in her own name and the scam payments were then made from there, she should pursue her complaint with the cryptocurrency provider.

Our investigator did not uphold the complaint. She said that Lloyds should have intervened on the £3,500 payment and provided a better automated warning to try and understand what type of scam Mrs B might have been falling victim to.

Lloyds didn't respond. Mrs B's representative didn't agree. It didn't agree that intervention would not have prevented the loss. It felt a comprehensive warning would have prompted Mrs B to re-evaluate her actions.

As the case could not be resolved informally it has been passed to me for a decision.

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 very sorry to hear that Mrs B fell victim to a cruel scam. I have a great deal of sympathy for Mrs B and realise that being the victim of a scam will have had a significant impact on her, not just financially, but because of the way the scammer took advantage of her and gained her trust.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time

Having done so, I've reached the same conclusion as our investigator broadly for the same reasons.

In broad terms, the starting position in 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.

Taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in August 2023 that Lloyds should:

- have been monitoring accounts and any payments made or received to counter various risks, including 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 firms are generally more familiar with than the average customer;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Lloyds sometimes does);
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

I acknowledge that the payments were made by open banking to Mrs B's cryptocurrency wallet and the scam happened from there, but Lloyds should still be on the lookout for payments which might indicate the consumer is at risk of financial harm.

As an Account Servicing Payment Service Provider (ASPSPs), Lloyds can intervene on open banking payments for fraud detection and prevention purposes and provide warnings in the same as it would with any other faster payment that displays risk factors.

I have reviewed Mrs B's account and the payments she made to the scam. Having considered when they were made, their value and who they were made to, I'm not persuaded Lloyds ought to have found the initial payments suspicious, such that it ought to have provided warnings to Mrs B before processing them. I accept the payments were to a cryptocurrency provider, but that doesn't mean payments should automatically be treated as suspicious, particularly when there are no other concerning factors about the payments.

However, by the time Mrs B made the payment for £3,500 on 12 October 2023, I think Lloyds ought to have been concerned. She had taken out a loan which she was directly transferring to cryptocurrency and Lloyds reasonably ought to have recognised the destination of the payment and that cryptocurrency related transactions carry an elevated risk of the likelihood of the transaction being related to a fraud or scam.

I think that a proportionate response to that risk would have been for Lloyds to provide a better automated warning; for example through a series of questions to narrow down the type of scam Mrs B might have been falling victim to.

Would an intervention from Lloyds have made a difference to Mrs B's loss?

Whilst I think Lloyds ought to have asked a series of questions about the transaction and warned of the scam risk it identified as a result; I'm not persuaded this would have prevented Mrs B's loss.

I can't know for certain what would have happened if Lloyds had provided a warning of the nature I've described above. In such situations, I reach my conclusions on what I find more likely than not to have happened in the circumstances. In other words, I make my decision based on the balance of probabilities – considering the evidence and wider circumstances of the case. Having carefully thought about this, I'm not convinced that a warning would have made a difference to Mrs B's decision-making. I say this because:

Mrs B had come across the opportunity through a very close friend who had received substantial returns and had been invested in the scheme for four months. Mrs B was making the investment after initially testing it out with smaller payments and had seen some returns herself. She was seeing positive reviews and testimonies including screenshots of the income others were sharing on the investment chat group. So, I think she would likely have disregarded any warning about returns being too good to be true as not being relevant to her.

At the time there was no FCA warning about C in place. Mrs B had done her own research and hadn't seen any negative information about the company. She was making payments to a genuine cryptocurrency company which itself was listed on the FCA register for certain cryptocurrency activities. So I think Mrs B would likely have disregarded any warning that mentioned checking the FCA register as not being applicable to her.

Mrs B had access to genuine looking website which showed her daily the expected returns for amounts invested. Mrs B checked the website address for C for any association with scams, and it returned as a safe website – established since 2017.

So even if Mrs B had carried out additional checks in response to a warning, I think it's more likely than not that she would have thought any warning didn't apply to the situation she found herself in and proceeded with the payment.

I've also thought about whether Lloyds could have done more to help Mrs B to recover the funds once it was made aware of the scam, but I don't think it could as the payments went to a legitimate cryptocurrency provider which carried out the service it was required to. So, I don't think Lloyds could reasonably have done more to recover the funds.

Whilst Mrs B has undoubtedly been the victim of a cruel scam, I don't find Lloyds is responsible for her loss.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 3 September 2025.

Kathryn Milne
Ombudsman