

The complaint

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

What happened

What Mr R says:

Mr R is represented by a third-party claims firm. He says he's lost £114,500 paid from two different accounts – he made payments from Lloyds for £20,098 and £80,000 paid from another bank. He says he was vulnerable at the time of the scam, as he'd recently lost his brother in tragic circumstances.

Mr R was a member of a trading group on 'Telegram'. The members were messaged by someone who said they'd introduce Mr R to crypto trading. He went through identification processes, which made him believe the opportunity was genuine. The scammer coached him how to trade and make money. The scammer said he would charge 20% commission at the end of each trading period.

Mr R could see live trades information on the 'website' of the investment firm and it seemed professional and genuine.

Mr R was told that by investing more, he could make more money – as he go go up to 'VIP' status. He had to pay the scammer his commission at the end of each trading period, and he also paid withdrawal fees, as well as further fees said to be for tax, interest and ratios.

He made the following payments to his account at a crypto exchange:

	Date	Payment	Amount
1	17 March 2023	Debit card payment – Mr R's account at crypto exchange	£505.28
2	20 March 2023	Debit card payment – Mr R's account at crypto exchange	£517.96
3	20 March 2023	Debit card payment – Mr R's account at crypto exchange	£525.70
4	20 March 2023	Debit card payment – Mr R's account at crypto exchange	£513.97
5	23 March 2023	Debit card payment – Mr R's account at crypto exchange	£529.12
6	24 April 2023	Debit card payment – Mr R's account at crypto exchange	£121.90
7	15 May 2023	Debit card payment – Mr R's account at crypto exchange	£51.92
8	15 May 2023	Debit card payment – Mr R's account at crypto exchange	£52.22

9	15 May 2023	Debit card payment – Mr R's account at crypto exchange	£119.06
10	02 June 2023	Debit card payment – Mr R's account at crypto exchange	£31.28
11	02 June 2023	Debit card payment – Mr R's account at crypto exchange	£72.49
12	02 June 2023	Debit card payment – Mr R's account at crypto exchange	£83.78
13	02 June 2023	Debit card payment – Mr R's account at crypto exchange	£100.80
14	02 June 2023	Debit card payment – Mr R's account at crypto exchange	£123.53
15	05 June 2023	Debit card payment – Mr R's account at crypto exchange	£99.41
16	05 June 2023	Debit card payment – Mr R's account at crypto exchange	£96.99
17	05 June 2023	Debit card payment – Mr R's account at crypto exchange	£107.77
18	06 June 2023	Debit card payment – Mr R's account at crypto exchange	£99.40
19	06 June 2023	Debit card payment – Mr R's account at crypto exchange	£106.94
20	06 June 2023	Debit card payment – Mr R's account at crypto exchange	£130.18
21	12 June 2023	Debit card payment – Mr R's account at crypto exchange	£276.26
22	12 June 2023	Debit card payment – Mr R's account at crypto exchange	£208.62
23	19 June 2023	Debit card payment – Mr R's account at crypto exchange	£6.27
24	12 October 2023	Debit card payment – Mr R's account at crypto exchange	£2,086.59**
25	20 October 2023	Debit card payment – Mr R's account at crypto exchange	£482.20
26	20 October 2023	Debit card payment – Mr R's account at crypto exchange	£538.97
27	20 October 2023	Debit card payment – Mr R's account at crypto exchange	£551.50
28	24 October 2023	Debit card payment – Mr R's account at crypto exchange	£467.01
29	03 November 2023	Debit card payment – Mr R's account at crypto exchange	£79.60
30	03 November 2023	Debit card payment – Mr R's account at crypto exchange	£149.06
31	06 November 2023	Debit card payment – Mr R's account at crypto exchange	£214.89
32	07 November 2023	Debit card payment – Mr R's account at crypto exchange	£78.53
33	07 November 2023	Debit card payment – Mr R's account at crypto exchange	£83.71
34	07 November 2023	Debit card payment – Mr R's account at crypto exchange	£95.73
35	22 November 2023	Debit card payment – Mr R's account at crypto exchange	£214.92

36	08 December 2023	Debit card payment – Mr R's account at crypto exchange	£320.56
37	28 December 2023	Debit card payment – Mr R's account at crypto exchange	£36.14
38	28 December 2023	Debit card payment – Mr R's account at crypto exchange	£112.88
39	29 December 2023	Debit card payment – Mr R's account at crypto exchange	£257.39
40	08 January 2024	Debit card payment – Mr R's account at crypto exchange	£211.45
41	08 January 2024	Debit card payment – Mr R's account at crypto exchange	£2,793.14
42	09 January 2024	Debit card payment – Mr R's account at crypto exchange	£8,369.33**
43	15 January 2024	Debit card payment – Mr R's account at crypto exchange	£1,247.00
44	18 January 2024	Debit card payment – Mr R's account at crypto exchange	£832.16
45	18 January 2024	Debit card payment – Mr R's account at crypto exchange	£852.73
46	19 January 2024	Debit card payment – Mr R's account at crypto exchange	£834.87
47	25 January 2024	Debit card payment – Mr R's account at crypto exchange	£997.81
48	29 January 2024	Debit card payment – Mr R's account at crypto exchange	£833.27
49	29 January 2024	Debit card payment – Mr R's account at crypto exchange	£831.40
50	31 January 2024	Debit card payment – Mr R's account at crypto exchange	£832.79
51	31 January 2024	Debit card payment – Mr R's account at crypto exchange	£833.21
52	31 January 2024	Debit card payment – Mr R's account at crypto exchange	£834.86
53	23 September 2024	Debit card payment – Mr R's account at crypto exchange	£2,922.34**
54	08 October 2024	Debit card payment – Mr R's account at crypto exchange	£4,069.72**
	Total		£37,546.61

*** not included in Mr R's complaint but added by Lloyds after speaking to him*

Mr R realised this was a scam when the demands for payments continued, even though he hadn't made any successful withdrawals. He says that because of the scam, he's lost most of his savings and he is now under financial pressure. He now hasn't a 'buffer' for any unexpected expenditure, and to meet the increasing cost of living. He feels a sense of shame and embarrassment and suffers from bouts of anger and depression.

Mr R says he was in a vulnerable state at the time of the scam. He says the payments were unusual compared to the normal activity on his account. There were multiple payments made, and for increasing values. He says Lloyds didn't provide any warnings, and the bank should refund the money he's lost, plus interest at 8% per annum and compensation of £300.

What Lloyds said:

Lloyds didn't uphold Mr R's complaint or refund any money. The bank spoke to Mr R and added four more payments to the list of disputed transactions as shown above. The bank said the Contingent Reimbursement Model (CRM) code didn't apply - as the payments were made by debit card and to an account in Mr R's name.

Lloyds said the point of loss wasn't when Mr R transferred money from his Lloyds account, but when he moved it from the crypto exchange to the scammer investment firm.

Lloyds also confirmed with Mr R that two other payments made were genuine payments – as he did his own crypto trading from time to time.

Our investigation so far:

Our investigator didn't uphold Mr R's complaint either. He said that Lloyds should reasonably have intervened at payment number 41 (8 January 2024). But even if the bank had done so, he was of the view that it wouldn't have made a difference and Mr R would've gone ahead anyway.

This was because he'd investigated Mr R's associated complaint brought against his other bank. And that bank provided a tailored written warning to Mr R in March 2024, but he ignored that and carried on making payments from that account.

Mr R didn't agree. He said Lloyds should have intervened but didn't. Had the bank done so, he would've stopped making the subsequent payments.

He 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.

I'm sorry to hear that Mr R 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 R 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 R 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 a UK beneficiary – and in this case, the payments were made by debit card, and to an account in Mr R's name at the crypto exchange.

I note also that Mr R's advisors quoted the new Authorised Push Payment scam reimbursement rules which came into effect from 7 October 2024. So, I considered whether these apply for the last payment made on 8 October 2024. But I should say – these cover transactions made by 'faster payments' and to other accounts not in a customer's name. And in this case, the payments were made by debit card and to Mr R's own account at the crypto exchange - so the rules don't apply in this case.

The first consideration here is: if the payments were of a sufficient size and was out of character with how Mr R normally used his account – then we would expect Lloyds to have intervened and spoken to him. I looked at Mr R's account – it was used for mainly normal day to day expenditure, but there were regular payments of up to around £1,500 each month; and a small number of up to £2,500.

And I also need to consider the value of the disputed payments made by Mr R – and so taking all this into account, I don't think I can reasonably expect Lloyds to intervene in the first 40 payments – as they were for a relatively low value, and in keeping with how Mr R normally used his account.

Also, the payments were spread out over 18 months (which was a long period) and weren't for increasing amounts – so I can't say they carried the usual signs of a scam.

And - there's a balance to be made; 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.

Therefore, in this case, I think Lloyds acted reasonably in processing the first 40 payments – I don't think that I could reasonably say that Lloyds should have stopped them for further checks.

But I agree that by payment number 41 – Lloyds should've intervened and contacted Mr R, but didn't. At that time, Mr R had made two payments for over £11,000 on the same day and to a known crypto exchange – which was known to carry a higher risk of fraud and scams.

Lloyds was the expert in such matters and if they'd intervened, held the payments and contacted Mr R, we would have expected them to ask open questions about what was going on.

But I must consider what would have happened had Lloyds done so. And here, I looked at the intervention by Mr R's other bank – and the associated complaint for that bank; which was also referred to us.

And I can see that on 14 March 2024, that bank held a payment for £10,050 to the crypto exchange, blocked Mr R's account and contacted him.

The bank provided a strong, tailored warning that he was being scammed. The warning included: *"we have stopped this payment from going through....we believe this to be a fraudulent payment...investment scams are becoming increasingly common....genuine investment opportunities will never guarantee a profit....scammers often convince customers that they have profited from an investment, but the customer needs to make a payment to release the winnings....scammers often fabricate website to show fake earnings....scammers may ask you to open Crypto wallets....scammers will often claim to work for genuine investment companies...legitimate investments never guarantee profits...."*

This was a strong warning and matched Mr R's circumstances. But despite this, he then went ahead and made more than 20 more payments (totalling more than £60,000) from that bank.

I consider this to be very strong evidence that even if Lloyds had intervened and contacted Mr R, he would've also gone ahead and made the further payments from his Lloyds account.

On this basis, I don't think I can reasonably ask Lloyds to refund any money to Mr R.

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.

And here, the funds went from the bank account to a crypto currency merchant and the loss occurred when crypto was then forwarded to the scammers. 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.

Chargeback:

I considered whether Lloyds could've attempted to get a refund from the merchant (the crypto exchange) using the chargeback scheme.

The chargeback process is a voluntary one – customers are not guaranteed to get money refunded, and there are strict scheme rules in place by the card schemes (e.g. Visa and Mastercard) which govern chargebacks. In general terms, the chargeback can provide a refund where a customer has bought goods or a service which isn't provided or is not what was advertised.

So – that wasn't the case here. This was an authorised payment and the goods (i.e. the crypto currency) had been provided by the crypto exchange, and therefore a chargeback had no reasonable prospects of success.

Mr R has lost a lot of money and at a difficult time in his life. I'm sure this must have been upsetting for him. He will therefore be disappointed by my decision, but I'm not going to ask Lloyds to do anything here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 April 2025.

Martin Lord
Ombudsman