

The complaint

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

Mr U is professionally represented, however, to keep things simple, I'll refer to Mr U

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

Mr U has explained that he was deceived by scammers into making payments towards what he thought was a legitimate investment with a company, who I will refer to 'C', who we now know to be scammers.

On 13 August 2024, Mr U made an initial investment of £102.99, via an account he held with another banking provider, which I will refer to as 'R'. The payment was made to a crypto exchange C had asked him to open and then onto the scam platform. Mr U saw his initial investment grow and he was able to withdraw returns of £122.66, which further convinced him the investment opportunity was genuine.

As a result, Mr U made the following payments from his Lloyds account to the crypto exchange in his own name and then onto the scammers platform:

Payment	Date	Transaction type	Amount
1	15 August 2024	Debit card	£1,441.86
2	17 August 2024	Debit card	£875.42
		Total	£2,317.28

Mr U said he realised he had been scammed when he asked to withdraw his funds, and he was told by C he would need to get his account verified which would require him to pay a fee of £1,000.

Mr U contacted Lloyds about the matter but they rejected his complaint and wouldn't refund the transactions. In short, they said:

- The Contingent Reimbursement Model (CRM) code doesn't cover payments made by debit card, so they are unable to refund him under the CRM code.
- The payments were being made using Mr U's card details and from the same IP address he often uses. And as they had no concerns with the payments, they had no reason to intervene.
- They don't feel Mr U took sufficient precautions to protect himself and verify who he was making the payments to. Due to this they can't agree to give him a refund.

Mr U was unhappy with the response from Lloyds, so he referred his complaint to the Financial Ombudsman Service.

Our Investigator explained, although she recognised Mr U made the payments as a result of fraud, she didn't think the payments were particularly unusual or suspicious in appearance for Lloyds to have been concerned by them.

Mr U didn't agree. In summary, he said:

- The transactions significantly exceed the amounts typically seen in his prior account usage.
- He had no previous experience with cryptocurrency, so the transactions were highly irregular and should have prompted Lloyds to have ensured the payments were genuine.
- Although the payments were made to a legitimate cryptocurrency exchange, due to the irregularity and the nature of the payments, Lloyds should have been aware of scams associated with cryptocurrency transactions.

As no agreement could be reached the complaint has been passed to me for a final decision on the matter.

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 Mr U has lost a significant amount of money and I don't underestimate the impact this has had on him. But while I know this won't be the outcome he is hoping for, I don't think Lloyds has acted unfairly by not refunding his loss for similar reasons to our Investigator. I'll explain why.

Before I do, I want to reassure Mr U that I've considered everything he has provided. And so, while I've summarised this complaint in far less detail than what has been provided, I want to stress that no discourtesy is intended by this. If there is a submission I've not addressed; it isn't because I have ignored the point. It's simply because my findings focus on what I consider to be the central issue in this complaint – that being whether Lloyds is responsible for the loss Mr U suffered to the scam.

As Lloyds has pointed out, these payments aren't covered by the CRM code – which can offer a potential means of obtaining a refund following situations like this. This is because it doesn't cover debit card payments or payments made to an account held in a person's own name. I've therefore considered whether it would otherwise be fair and reasonable for Lloyds to reimburse Mr U.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. Here, it isn't disputed that Mr U knowingly made the payments from his Lloyds' account and so, I'm satisfied he authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of his account, Lloyds are expected to process Mr U's payments, and he is presumed liable for the loss in the first instance.

However, taking into account regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Lloyds to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

In this case, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Mr U when he authorised payments from his account, or whether it could and should have done more before processing the payments.

When considering this, I've kept in mind that banks process high volumes of transactions each day. And that there is a balance for Lloyds to find between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate. Here, the payments were made to a legitimate crypto exchange. And while there are known fraud risks associated with crypto, as scams like this have unfortunately become more prevalent, many individuals invest in crypto legitimately.

Having looked at Mr U's prior account usage, his account was typically used for low value day to day transactions. But while I accept the £1,441.86 payment was higher than payments Mr U commonly made on his account, it isn't unusual for customers to make larger payments from time to time as part of normal account activity. And I don't think the payments here, either individually or collectively, were of a monetary value whereby I would've expected Lloyds to have had sufficient reason to suspect Mr U was at risk of financial harm from fraud.

It follows that I think it was reasonable for Lloyds to assume the payments were being made for legitimate crypto purposes. And so, I wouldn't have expected Lloyds to have taken additional steps or carried out additional checks before processing the payments.

I've taken into account what Mr U has said about his health at the time of the transactions, and that he was struggling financially and feeling low due to being unable to work. And while I am sorry to hear the situation Mr U found himself in, Lloyds weren't aware of his circumstances or potential vulnerability and I don't feel that the payment activity would've given them reason to suspect you was particularly vulnerable either.

I've also considered whether, on being alerted to the scam, Lloyds could reasonably have done anything to recover Mr U's losses, but I don't think they could. The only possible option for recovery here, given the payments were made by debit card, would have been via a chargeback claim. But given the payments were made to a legitimate crypto exchange, I don't consider they would have had any prospect of success given there's no dispute the crypto was provided to Mr U. And so, I don't think Lloyds could've recovered Mr U's loss.

I have a great deal of sympathy for Mr U and the loss he's suffered, as I appreciate it is significant sum of money to him. But it would only be fair for me to direct Lloyds to refund his loss if I thought Lloyds was responsible – and I'm not persuaded that this was the case. For the above reasons, I think Lloyds has acted fairly and so I'm not going to tell them to do anything further.

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 Mr U to accept or reject my decision before 23 July 2025.

Israr Ahmed
Ombudsman