

## The complaint

C complains that Lloyds Bank PLC didn't protect them from an investment scam.

C is being supported in making their complaint by a representative. But for ease, I'll only refer to C in this decision.

## What happened

C explains that they wanted to start investing and were introduced to an unregulated broker at a networking event in London. The broker then invited C to a meeting where they were introduced to an investment in a company (which I'll refer to here as 'H'). C said the broker had already invested in 'H', and that they themselves spoke directly to 'H' at a meeting where they were provided with documentation showing monthly trading results.

C understood the terms of the investment to be monthly returns of 5%, with the capital returned in 12 months.

Other companies (which I'll refer to here as 'P' and 'M') facilitated the investment and the transfer of the funds C was investing in 'H'.

C made the following online payments as part of the investment:

| Date            | Amount          |
|-----------------|-----------------|
| 6 February 2019 | £50,000         |
| 6 February 2019 | £25,000         |
| 6 February 2019 | £25,000         |
| 28 March 2019   | £25,000         |
| 28 March 2019   | £25,000         |
| 29 March 2019   | £25,000         |
| 29 March 2019   | £25,000         |
| 29 March 2019   | £25,000         |
| <b>Total</b>    | <b>£225,000</b> |

In April and May 2019 C received two monthly returns totalling £11,500.

'H' and 'P' went into liquidation in June 2019 and March 2020 respectively.

On 14 November 2023 C made a complaint to Lloyds. In short, they said they'd been the victims of a scam, and that Lloyds hadn't done enough to protect them. C therefore held Lloyds responsible for their loss. They wanted Lloyds to refund them together with 8% interest and £1,000 for the distress and inconvenience caused.

Lloyds couldn't evidence whether the payments had flagged and if any warnings had been provided. But it didn't believe C had been the victims of a scam, rather that they'd been party to a failed investment. Lloyds didn't uphold C's complaint.

C referred their complaint to the Financial Ombudsman.

One of our Investigators considered the complaint but didn't uphold it. Essentially, he said Lloyds should've asked C about the purpose of the payments before processing them. But given there was no adverse information about 'H' or 'P' available at that time, and because

the investment had been introduced to C by a trusted broker - he didn't think further questioning by Lloyds would've given it or C any obvious cause for concern.

Our Investigator also thought there was no reasonable prospect of Lloyds being able to recover the lost funds, nor did he think Lloyds needed to pay C any compensation.

C didn't agree. In summary, they believed the payments were out of character and should've been flagged by Lloyds as suspicious. And if Lloyds had provided them with an investment scam warning and spoken to them about the payments, they:

*'would have halted and re-reviewed ['H'] and the investment opportunity they were bringing forth before proceeding'.*

C added that they were not regular investors and had no intention of investing in high-risk investments. They said Lloyds should, at the very least, be held partly responsible for the loss.

I've been asked to review everything afresh and reach a final 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.

Having done so, I've decided not to uphold it. I know this is not the answer C was hoping for and so this will come as a disappointment. I'm really sorry to hear about the situation they've found themselves in, and I can understand why they'd want to do all they can to recover the money they lost. But I need to decide whether Lloyds can fairly and reasonably be held responsible for C's loss. Overall, I've decided that it can't be. I'll explain why.

But first, I would like to say that I've considered this case on its own merits and have summarised it in far less detail than the parties involved. I want to stress that no discourtesy is intended by this. It's simply because my findings focus on what I consider to be the central issues in this complaint – that being whether Lloyds could've prevented C's loss.

Following a court hearing in July 2020, it's now accepted that C have likely been the victims of a scam. But I accept the transactions they made towards the investment were authorised payments. So, C is presumed liable for the loss in the first instance.

However, I consider that as a matter of good industry practice at the time (and now) that a bank, such as Lloyds, ought to have taken steps to intervene prior to processing a payment instruction where it had grounds to suspect a payment might be connected to a fraud or a scam. Any such intervention should've been in proportion to the level of risk perceived.

The question then arises whether Lloyds ought reasonably to have held such suspicions or concerns in relation to C's payments - and if so, what might've been expected from a proportionate intervention.

So, taking all of this into account, I need to decide if Lloyds acted fairly and reasonably in its dealings with C when they made the payments. Specifically, whether it should've done more than it did before processing them – and if it had, would that have made a difference. I also need to decide if Lloyds could've reasonably recovered the lost funds.

Arguably, there was justification here for an intervention by Lloyds prior to processing C's £50,000 payment instruction on 6 February 2019. This was significantly larger than usual payments for C's account in the previous ten months and was being made to a new payee. And the subsequent payments were also of high value and made in close succession, which could've indicated a risk of financial harm.

But for me to find it fair and reasonable that Lloyds should refund C requires more than a finding that Lloyds ought to have intervened.

I would need to find not only that Lloyds failed to intervene where it ought reasonably to have done so - but crucially I'd need to find that but for this failure, the subsequent loss would've been avoided.

That latter element concerns causation. A proportionate intervention will not always result in the prevention of a payment. And if I find it more likely than not that such a proportionate intervention by Lloyds wouldn't have revealed the payments were part of a fraud or scam, then I couldn't fairly hold it liable for not having prevented them from being made.

In thinking about this, I've considered what a proportionate intervention by Lloyds at the relevant time would've constituted, and then what I think the result of such an intervention would most likely have been.

To reiterate, Lloyds' primary obligation was to carry out C's instructions without delay. It wasn't to concern itself with the wisdom or risks of their payment decisions.

In particular, Lloyds didn't have any specific obligation to step in when it received a payment instruction to protect its customers from potentially risky investments. The investment in 'H' wasn't an investment Lloyds was recommending or even endorsing.

Lloyds' role here was to make the payments that C had told it to make. C had already decided on that investment. And I find that Lloyds couldn't have considered the suitability or unsuitability of a third-party investment product without itself assessing C's circumstances, investment needs and financial goals.

Taking such steps to assess suitability without an explicit request from C (which there wasn't here) would've gone far beyond the scope of what I could reasonably expect of Lloyds in any proportionate response to a correctly authorised payment instruction from its customers.

That said, I think it would've been proportionate here for Lloyds, as a matter of good industry practice, to have taken steps to establish more information about the payments.

What matters here is what those steps might be expected to have uncovered at the time. While there may now be significant concerns about the operation of 'H', and the legitimacy of the investment, I must consider what Lloyds could reasonably have established during a proportionate enquiry to C about their payments back in February 2019. I cannot apply the benefit of hindsight to this finding.

Both 'H' and 'P' were genuine companies and there was no negative information about 'H' in the public domain until *after* it went into liquidation (June 2019). Having carefully reviewed all the material C has provided about 'H' and 'P', it appears that allegations that 'H' was operating as a scam *only* came to light during the liquidation process which included a court hearing in 2020. As such, this correspondence or information couldn't have been accessed by either Lloyds or C at the time the payments were made.

I think it's also likely C would've told Lloyds that they had documents from 'H' confirming the terms of the investment which at the time, all appeared entirely genuine. And that they had met with 'H' and seen information about its trading history. Further, C has said Lloyds should've warned them about high-risk investments. But the risks of investing in 'H' were made clear to C in documentation received from 'P', where it is also made clear that 'P' isn't regulated by the Financial Conduct Authority (FCA). 'P' also says:

*'It is possible to lose more than your initial investment. Profits and returns are not guaranteed'.*

The information from 'P' further states:

*'Before you decide to deal with [P] ... you should be aware of all of the associated risks and carefully consider your objectives, financial situation, needs and level of experience. ... [P] recommends that you seek advice from a separate financial advisor. ... you could sustain a total loss of your deposited funds and therefore, you should not speculate with capital that you cannot afford to lose'.*

So, it appears that C had been made fully aware that 'P' wasn't FCA regulated and of the risks involved in the investment, and they were in contact with a broker. This would've all been reassuring to Lloyds and C, and in my opinion, makes it less likely that any warning Lloyds might've provided to C about unregulated high-risk investments would've resonated with them, as they now claim. But even if C *had* been prompted by Lloyds to carry out more checks into 'H' or 'P' – I think it's very unlikely they'd have found anything of concern.

It's also worth mentioning that the payments were being made to 'M' – a payment processor for 'P'. 'M' was also a legitimate registered company, which, I believe, would've further reassured C (and Lloyds) at the time that the investment in 'H' was genuine.

In summary, I've considered everything submitted and the arguments made, but while there may now be concerns about the legitimacy of 'H' and 'P', everything I've seen indicates that those concerns only began to surface in the public domain after the payments were made by C.

I've thought next about how C found out about the investment. C has said they were introduced to 'H' by an unregulated broker who then put them in contact with 'P'.

Had Lloyds asked C who'd advised them about the investment, then the involvement of the broker would've likely come to light at the time. But this type of unregulated investment could be entered into without obtaining regulated financial advice; and might be made available to clients of an unregulated broker (as it appears C were).

So, the status of the broker and the investment weren't something that would necessarily have indicated 'H' was fraudulent (or that the investment was a scam) at the time C asked Lloyds to make the payments.

Further to that, I've not seen any evidence to suggest C ever doubted the information they were being given by the broker. They've said the broker had invested in 'H' before and that they used the broker for another (test) investment prior to the investment in 'H' and have said:

*'... the full monthly payments had been received. No issues were identified'.*

Given the trust in the broker and its endorsement of 'H', and because C communicated directly with 'P' and 'H' before deciding to invest, I don't think, on balance, that any advice or warning from Lloyds about the broker would've likely resonated with C or given them any cause for concern. And any concerns that might've been raised with C about 'H' or 'P' would've likely, in my opinion, have been allayed by the broker.

All things considered; I don't think it would've been readily apparent in February 2019 that 'H' might be fraudulent rather than a higher risk investment. I simply don't think Lloyds could've uncovered information – especially through proportionate enquiry in response to a payment - that would've led to significant doubts about the legitimacy of 'H' at that point in time. Neither do I think C could've uncovered such information at the time – they weren't at fault here.

To recap, I can only reasonably expect any intervention or enquiries made by Lloyds to have been proportionate to the perceived level of risk of 'H' or 'P' being fraudulent. I don't think that a proportionate enquiry in February 2019 would've led to either Lloyds or C considering 'H' or 'P' being anything other than legitimate. With that in mind, and all considered, I'm not persuaded that Lloyds was at fault for carrying out the relevant payment instructions, or for not preventing C from making their payments.

In terms of trying to recover the lost funds; I'd expect Lloyds to attempt this at the point it's alerted to the loss. But more than four years had passed by the time C contacted Lloyds. Furthermore, both 'H' and 'P' had gone into liquidation by this point and recovery from 'M' wasn't possible as it was acting as a payment processor for 'P'.

Therefore, I can't say Lloyds had any reasonable prospect of recovering the funds in 2023 given the passing of time; and because 'H' and 'P' had gone into liquidation more than three years before.

I have a great deal of sympathy for C and the loss they've suffered. But it would only be fair for me to direct Lloyds to refund their loss if I thought it was responsible – and I'm not persuaded that this was the case. And so, I'm not going to tell it to do anything further.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision **before 13 May 2025**.

Anna Jackson  
**Ombudsman**