

The complaint

Mr W has complained about Lloyds Bank PLC not refunding several payments he says he made and lost to a scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat it in detail here. In summary, Mr W fell victim to an investment scam after he developed a relationship with what turned out to be a scammer. He says she told him she was a cryptocurrency trading expert and talked him into investing with her. Mr W paid money into cryptocurrency exchanges before sending it to the scammer. He sent £3,861.09 over circa four weeks.

Mr W subsequently realised he had been scammed when he attempted to withdraw his funds and the scammer ceased contact with him.

Our Investigator didn't uphold the complaint as, although they agreed Mr W had lost his money because of fraud, they didn't find the payments were of a level that should have caused Lloyds any concern.

As our Investigator couldn't resolve the matter informally the case has been passed to me for 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.

I'm aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focused on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

I don't doubt Mr W has been the victim of a scam here – he has lost a large sum of money and has my sympathy for this. However, just because a scam has occurred, it does not mean he is automatically entitled to recompense by Lloyds. It would only be fair for me to tell Lloyds to reimburse Mr W for his loss (or a proportion of it) if: I thought Lloyds reasonably ought to have prevented all (or some of) the payments Mr W made, or Lloyds hindered the recovery of the payments Mr W made – whilst ultimately being satisfied that such an outcome was fair and reasonable for me to reach.

I've thought carefully about whether Lloyds treated Mr W fairly and reasonably in its dealings with him, when he made the payments and when he reported the scam, or whether it should have done more than it did. Having done so, I've decided to not uphold Mr W's complaint. I know this will come as a disappointment to him and so I will explain below why I've reached the decision I have.

I have kept in mind that Mr W made the payments himself and the starting position is that Lloyds should follow its customer's instructions. So, under the Payment Services Regulations 2017 (PSR 2017) he is presumed liable for the loss in the first instance. I appreciate that Mr W did not intend for his money to ultimately go to a scammer – but he did authorise these payments to take place. However, there are some situations when a bank should have had a closer look at the wider circumstances surrounding a transaction before allowing it to be made.

Considering the relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time - 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 payment service providers 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 decline to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.
- 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.

So, I've thought about whether the transactions should have highlighted to Lloyds that Mr W might be at a heightened risk of financial harm due to fraud or a scam.

Lloyds should have identified that Mr W's payments were going to a cryptocurrency exchange as the merchant is well-known. However, that doesn't mean they all should automatically be treated as suspicious; particularly when there are no other concerning factors about the payments. Many banks have made the commercial decision to prevent their customers from using their service to send money to cryptocurrency exchanges. Albeit investing in cryptocurrency is a highly risky endeavour, it is ultimately a legitimate one and so certain banks and Electronic Money Institutions (EMI) do permit payments to cryptocurrency exchanges.

Having considered Mr W's payments, I'm not persuaded that Lloyds should have been concerned with them as they would not have appeared to be suspicious or unusual – especially when considering how Mr W usually used his account. He had before used his account to complete multiple payments all on the same day, at a far higher frequency than these payments. There were also some payments to cryptocurrency. Additionally, I do not think the values of the payments, which were of fluctuating amounts, ought to have been of concern to Lloyds in isolation of any other red flags. Ultimately, the payments Mr W made did not have the common hallmarks to suggest he may be falling victim to a scam.

I've noted that Mr W disputes some of the transactions within his statements highlighted by our Investigator. He says that prior to December 2023 he had never made payments to

cryptocurrency and the bank has manipulated his statements. I have not been supplied with any evidence to suggest the statements have been manipulated and I am not persuaded they have been. However, even if I accept that Mr W had never before sent money to cryptocurrency exchanges this does not change the outcome. Based on the payments he was making, as per my reasoning above, I do not think Lloyds ought to have been concerned with them.

There may well be situations where Lloyds will stop payments of a lower value, as Mr W has highlighted has happened to him. There can be a variety of factors which may lead to Lloyds being concerned about a particular payment. However, this does not then mean it should stop all payments. I think it's important to highlight that there are many payments made by customers each day. It's not reasonable to expect Lloyds to stop and check every payment instruction to try to prevent fraud or financial harm. There's a balance to be struck between the extent it intervenes in payments to protect customers and not unnecessarily disrupting legitimate payment instructions.

I'm very sorry to disappoint Mr W. However, I don't think Lloyds should have prevented him making the payments. So, it wouldn't be reasonable for me to ask them to refund the payments he made.

The Contingent Reimbursement Model Code

Although Lloyds has signed up to the Contingent Reimbursement Model Code, the payments Mr W made from his Lloyds account aren't covered by the Code because he made the payments from his Lloyds account to his other account and not to another person. I cannot fairly and reasonably say that Lloyds should have to refund payments under the Code when it doesn't apply here.

Recovery

The only method of recovery Lloyds has for the payments made by card is to request a chargeback. However, Mr W didn't make the card payments to the scammer directly, he paid a cryptocurrency exchange. The service provided by the cryptocurrency exchange would have been to convert or facilitate conversion of Mr W's payments into cryptocurrency. The fact that the cryptocurrency was later transferred to the scammer doesn't give rise to a valid chargeback claim against the merchant Mr W paid.

With the transfer Mr W made, if these funds had not already been transferred to the scammer they would be in his control to access as and when he chose. Lloyds would not have been able to attempt to retrieve the funds from the scammer directly as that is not where the funds were originally sent to.

Therefore, Lloyds Bank PLC could not have done anything further after Mr W alerted them and so I won't be asking it 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 W to accept or reject my decision before 27 June 2025.

Lawrence Keath
Ombudsman