

## **The complaint**

Mrs W complains Lloyds Bank PLC ('Lloyds') won't refund payments she made as part of a scam.

## **What happened**

In May 2020, Mrs W began corresponding with a third party (further referred to as Mr A) via an online dating website. The relationship developed, resulting in Mrs W sending funds to Mr A between June 2021 and February 2023.

In March 2023, Lloyds invoked the banking protocol as they were concerned Mrs W was being scammed. Following intervention in a Lloyds' branch, the scam being perpetrated by Mr A was uncovered and Mrs W raised a scam claim with Lloyds.

A few weeks later, Mr A got back in touch with Mrs W. They explained that they'd been lying about their identity, disclosed their 'true' identity and explained that they wished to repay the funds they'd taken from Mrs W. In order to assist with these repayments, Mr A asked Mrs W to make further payments.

Then, between May and November 2023, Mrs W made 45 payments totalling £102,214 from her Lloyds account.

When Mrs W wasn't able to fund any further payments in November 2023, she contacted Lloyds as she believed she had been the victim of a scam.

Lloyds investigated the matter and upheld Mrs W's complaint in part. They agreed that they could've done more to support Mrs W before the payments left her account. But, Lloyds declined to refund Mrs W's loss in full as they believe she could've done more to protect herself from the scam.

In total, Lloyds have refunded 50% of all the payments made as part of the scam, barring the first payment of £350 on 26 May 2023. This refund totals £50,932.

Lloyds were also able to recover £1,155.77 and returned £1,100 to Mrs W in November 2023.

Mrs W contacted our service to request that we look into the scam and Lloyds' actions. Lloyds confirmed that they agreed with the previous decision made. Lloyds also declined to offer any further refund on the basis that Mrs W did not take sufficient steps to protect herself from the scam.

As Mrs W was unhappy with Lloyds' decision not to refund the full amount, the complaint was referred to our service.

An investigator looked into Mrs W's complaint but didn't uphold it as they felt the refund already provided by Lloyds was appropriate in the circumstances. They agreed that, although Lloyds failed to identify the potential financial harm these payments could cause

Mrs W, she didn't have a reasonable basis of belief that the person she was paying was legitimate.

As the case couldn't be resolved it was passed to me to review.

### **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.

Mrs W has provided detailed submissions to our service in relation to this complaint. In keeping with our role as an informal dispute resolution service, I will focus on the points I find to be material to the outcome of Mrs W's complaint. This is not meant to be a discourtesy to Mrs W and I want to assure her that I have considered everything she has submitted carefully.

Though Mrs W had sent funds to Mr A between June 2021 and February 2023, it is only the payments made between May and November 2023 which form part of this complaint.

Lloyds are a signatory of the Lending Standards Board's Contingent Reimbursement Model (CRM Code) which requires firms to reimburse customers who have been the victims of authorised push payment (APP) scams like this in all but a limited number of circumstances. Under the CRM Code, a bank may choose not to reimburse a customer for a number of reasons. I'll explore these reasons in my decision.

#### *Should Lloyds have intervened or provided a warning to Mrs W*

The CRM Code states that *'Where Firms identify APP scam risks in a Payment Journey, they should take reasonable steps to provide their Customers with Effective Warnings, which should include appropriate actions for those Customers to take to protect themselves from APP scams.'*

Lloyds has accepted partial liability under the Code for all the payments Mrs W has disputed, except the first one, on the basis that they failed to intervene and prevent her loss, given the previous activity on her account.

As that's the case, I'll only consider whether Lloyds ought to have intervened or provided an Effective Warning, as required under the Code, at the point Mrs W was making the first payment. For clarity, this payment was for £350 on 26 May 2023.

Though Mrs W had been the victim of a scam only a few months prior to the payment on 26 May 2023, I don't think the overall characteristics of the payment ought to have led Lloyds to have had concerns that Mrs W was at the immediate risk of an APP scam.

I say this as the payment was low in value and, given the time that had passed since the scam was uncovered in March 2023 and the new payee used, I don't think that Lloyds ought to have suspected that the payments were being made to Mr A.

Because of that, I don't believe Lloyds were required to provide an Effective Warning under the Code or that they ought to have intervened prior to releasing the payment. Therefore, I'm satisfied Lloyds have acted fairly in declining to refund Mrs W for the payment of £350 on 26 May 2023.

#### *Did Mrs W have a reasonable basis for belief when making the payments*

Lloyds declined to refund Mrs W's loss in full as they believe she could've done more to protect herself from the scam.

The CRM Code states:

*'The customer made payments without having a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.'* In this case, I'm satisfied that Mrs W didn't have a reasonable basis for believing that the person she was paying was legitimate for the following reasons:

- In March 2023 both Lloyds and the police confirmed to Mrs W that Mr A was defrauding her and wasn't acting legitimately. At this stage, Mrs W acknowledged that she'd been the victim of a scam and ceased any further payments for some time. I think this intervention meant that Mrs W ought to have been aware that Mr A was more likely than not attempting to defraud her again when he renewed their communication.
- The documents and evidence provided by Mr A, on the face of it, do not appear to be legitimate. There are a number of concerning features about the documents, such as logos, addresses and spelling mistakes, which should've alerted Mrs W to the fact that they hadn't been provided to Mr A by the genuine businesses.
- Much of the information provided by Mr A in relation to the payments ought to have caused Mrs W concern. This includes Mr A claiming Mrs W would receive around £750,000, the number of individual payments being requested, Mrs A being told to lie to Lloyds if asked about the purpose of the payments and Mrs W being asked to send the funds to an associate of Mr A.

Ultimately, I think there were enough warnings signs for Mrs W to have realised that the requests for payment she received weren't legitimate. Because of that, I'm not satisfied that Mrs W had a reasonable basis of belief that the payments she was making were legitimate. As a result, I'm satisfied that Lloyds can rely on that exception as a reason not to refund Mrs W the full amount of her claim.

### Recovery of funds

I can see that Lloyds contacted the beneficiary bank in an attempt to recover Mrs W's funds the same day she made them aware that she was the victim of a scam. Though Lloyds acted in a timely manner, they were unable to recover all of Mrs W's losses. They were, however, able to recover £1,155.77 from the remitting bank.

In situations such as these, we would expect banks to repay any recovered amounts to victims before going onto consider any other loss under the Code. In this case, Lloyds hasn't returned the full amount of the recovered funds to Mrs W and only returned £1,100.

That being said, the refund paid by Lloyds is greater than the amount Mrs W would've received had they calculated her refund correctly.

Lloyds ought to have deducted the recovered funds before repaying 50% of her loss (of the payments they accepted liability for under the Code). Instead, the funds recovered by Lloyds were not taken into consideration when calculating how much to award Mrs W under Code.

Had Mrs W's refund been calculated correctly it would have totalled £50,354.12, whereas Lloyds has refunded £50,932.

As Mrs W is in a better position because of Lloyds' error, I won't be asking them to take any further action in relation to this.

### Overall

Having considered everything very carefully, I'm satisfied that Lloyds has evidenced that they can fairly apply an exception to reimbursement. I'm aware this will be hugely disappointing to Mrs W, given the nature of the scam and the impact this has had on her.

But, I believe that the refund already provided to be fair and won't be asking Lloyds to make any further payment to Mrs W.

### **My final decision**

My final decision is that I do not uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 9 June 2025.

Billy Wyatt  
**Ombudsman**