

## **The complaint**

B says Lloyds Bank PLC (“Lloyds”) refuses to refund it for transactions on its account it says were unauthorised.

## **What happened**

The facts of this complaint are well known to both parties, so I won’t repeat them in detail here.

In short, B says it received a call from someone claiming to be from Lloyds on 26 July 2024. The “scammer” seemed to know details B’s debit card details and recent transactions, and they claimed to be calling to notify B of fraudulent transactions on its accounts. B says the scammer sent a link to download software from the Lloyds website to help to secure its accounts and reset the passwords. B complied with this request and two of B’s employees logged on to their online banking using their PIN sentry devices. The scammer then made unauthorised transactions on B’s account without B’s knowledge. Soon after, B realised the call was suspicious and contacted Lloyds to complain. B says Lloyds should never have allowed the transactions to take place as they were significantly out of character for its accounts. So, it says Lloyds should refund all the monies lost as it failed to protect B’s account from fraud.

Lloyds accepts the transactions in dispute were unauthorised, and that B had fallen victim to a scam. However, Lloyds says B was grossly negligent in allowing a third-party access to its accounts and was in breach of its terms and conditions. So, it declined to refund the unauthorised transactions.

Our investigator considered this complaint and decided to uphold it. Originally, he felt that B had been grossly negligent in allowing the scammer access to its account, but Lloyds should’ve intervened when the second transaction was attempted and blocked it from going through. So, he initially said Lloyds should refund all the fraudulent transactions after the first one. Upon a second look the investigator decided it would be fair and reasonable to hold B jointly liable for some of the loss. Therefore, he decided to hold B liable for 25% of the loss and Lloyds liable for 75% of the loss after the first transaction. B wasn’t happy with this outcome, so the complaint 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’d like to reassure both parties that although I’ve only given an overview of what happened, I’ve read and considered everything we’ve been provided in its entirety.

When considering what’s fair and reasonable, I’m required to take into account relevant law and regulations; the regulator’s rules, guidance and standards; the codes of practice; and, where relevant, what I consider good industry practice at the relevant time.

Where there's a dispute about what happened, and the evidence is incomplete or contradictory, I must make my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence.

The starting position here is that Lloyds is required to refund any unauthorised payments made from B's account, unless there is evidence that B failed with intent or gross negligence to comply with their obligations as a payment service user. Those rules are set out in the Payment Service Regulations 2017.

There is no dispute that the transactions in dispute were unauthorised and carried out by the scammer who called pretending to be from Lloyds. However, Lloyds says that B failed with gross negligence to keep its' account details safe and breached the terms and conditions of the account. All of which led to the scammer being able to make the unauthorised transactions on the account.

I don't have a call recording of the call that took place between the scammer and B, so I've relied on what B has told us about that call. From B's evidence, the scammer seemed knowledgeable about its' debit card details and a recent genuine transaction which B had made. But by B's own admission, it didn't take any other steps to verify the caller. Such as asking further questions about the account that only the bank is likely to know. In cases of an incoming call from the bank, a safe next step would be to hang up and call the bank back on a known number. And as B says it has a dedicated relationship manager at Lloyds, I think this is something B could've reasonably done to ensure the caller was genuine.

The terms and conditions of the account state B *"we will never telephone, text or email you and ask you for your User ID, Password Information or the details from your Security Device. If you receive any such request, you must not provide any of the details requested and you must notify us immediately by calling Internet Banking Helpdesk"*. During the call with the scammer the evidence shows a PIN sentry device was used to log-in to the online banking, and B says a second user also used their PIN sentry to log-in as well. B says no codes were given from the PIN sentry devices and they were only used to log-in to the account. Lloyds says the set up of the new payees for each of the disputed transactions would've required codes from the PIN sentry, which B must have shared with the scammer over the phone. And from what we've seen of this type of activity on Lloyds accounts, codes are usually required for this action. So based on this, I think its likely B also provided codes from the PIN sentry device to add the new payees. It follows then that I think B failed with gross negligence to comply with its' obligations to keep its' account safe. And for this, I think it is fair to apportion some of the responsibility for the fraudulent transactions to B.

I've also considered the expectations on Lloyds to keep B's account safe. Banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering. And usually we would expect large payments, perhaps international payments, or payments significantly out of character to be flagged.

The first fraudulent transaction was an international payment for £39,000. The account this transaction was made from is an account which I have seen regular incoming and outgoing payments of around and above the amount of the first transaction. So, I don't think it's fair to say Lloyds should've blocked this first transaction. However, I have noted that it was to a new payee. The second transaction was another international payment of £39,000 to another new payee, just one minute after the first. At this point I think it is fair to say Lloyds should've blocked the payment and not allowed this transaction to go through until it had confirmed it was genuine. I say this because this was the second large international payments to a second new payee in short succession. I also note that Lloyds was aware that remote access software was in place at the time, even though it says this didn't raise any

alarm until a few minutes later. So, I do think Lloyds failed in its duty to protect B's account from this fraud and prevent further loss. And for this, I think Lloyds ought to take some liability for the loss.

When deciding on an outcome my role is to look at all the evidence and then reach a decision that takes this into account and is fair to both parties. That means I consider Lloyds's position as much as I do B's. And from the evidence I've seen, I think it's fair for both parties to accept some liability for this loss. Our investigator decided to apportion 75% of the loss to Lloyds, and 25% to B. And I think that outcome is fair in the circumstances. I've set out exactly what this means below.

### **Putting things right**

Both parties should be held liable for some loss here. I understand some monies were recovered and the total loss currently stands at £100,900. Of which, Lloyds Bank PLC should refund 75% to B. Lloyds Bank PLC should also add 8% simple interest from the date the unauthorised payments were made, till the date this is returned.

### **My final decision**

I am upholding this complaint. Lloyds Bank PLC should put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 17 July 2025.

Sienna Mahboobani  
**Ombudsman**