

The complaint

Miss L complains that Lloyds Bank Plc hasn't refunded the money she lost when she fell victim to three different scams.

Miss L is represented in this complaint by a solicitor. For simplicity, I will refer to Miss L throughout this decision, even when referencing what her representatives have said on her behalf.

What happened

Miss L was experiencing financial difficulties, and was looking for a way to improve her financial position. In around March 2022, a friend of hers, who she had known for several years and had met in person many times, told her about an opportunity to get involved in an investment scheme, which I'll call P. Miss L made various payments to her friend, to third parties, and to her own cryptocurrency account (from where the funds were passed to the investment) in the belief that she would be able to double her money in a year. Miss L began to have concerns about the legitimacy of this investment by late 2022, when the promised returns did not materialise.

Around this time, in December 2022, Miss L's friend introduced her to another investment scheme, via someone else she knew. Miss L appears to have made two payments to this investment, in January 2023, but although she had been promised that the investment was foolproof she was then told that she had lost all this money.

In March 2023 Miss L's friend then suggested she take part in another scheme, which involved completing tasks which could net her a daily return. However, Miss L also had to make payments to her friend to facilitate the work she was supposedly doing under this scheme. And when she was asked to recruit others to the scheme, she realised this too was likely a scam.

Miss L told Lloyds that she believed she had been scammed in November 2023. Lloyds looked into what had happened but did not consider it had any liability for Miss L's loss. It said that Miss L did not have a reasonable basis for believing she was paying into a genuine investment, and that the payments Miss L had made had not been unusual enough to have flagged as potentially part of a scam.

Miss L didn't accept this, so she referred her complaint to our service.

One of our Investigators looked into her complaint. They thought Lloyds was entitled not to refund the money Miss L had lost. They didn't think Miss L had held a reasonable basis for believing what she did when she sent the payment. They also did not think there was anything about the payments Miss L made that should have triggered any intervention or warning from Lloyds. They also noted that, even if Lloyds had intervened, Miss L would have been unlikely to stop what she was doing, given that she was acting on the instruction of someone she considered to be a close friend. So, they thought Lloyds had fairly assessed the claim and didn't think it needed to refund the disputed payments.

Miss L remained unhappy, so her case has now been referred to me to 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.

I'm sorry to hear about what happened to Miss L, but I have to recognise that the main cause of her losses here were the scammers who deceived her. I must also take into account that Lloyds has an obligation to carry out the payment instructions its customers give it. As a starting point, a customer is therefore assumed liable for a payment they have instructed to be made.

But even with that in mind, where a customer has made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for a bank to reimburse its customer even though the customer authorised the payment.

The payments covered by the Contingent Reimbursement Model Code (The CRM Code)

Amongst other things, Lloyds has a responsibility to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. Additionally, the CRM Code can provide increased protection for the victims of APP scams. I'm satisfied that the faster payments Miss L made (which appear to relate to the first and third scam she fell victim to) likely fall within the scope of the CRM Code. But despite offering additional protections, the CRM Code includes provisions allowing a firm not to reimburse APP scam losses fully in some circumstances. Those circumstances include where the customer made a payment without a reasonable basis for believing that the person they were dealing with was legitimate, was providing a genuine service, or that the payee was the person the customer was expecting to pay.

Lloyds says this exception applies here. So, I need to determine whether Lloyds has established this exception to reimbursement can be fairly applied. In considering this point, I've carefully considered everything Miss L has submitted as well as the evidence submitted by the bank.

There were some features of what happened here that I think should reasonably have caused Miss L to use greater caution before sending payments relating to these scams. It appears that for the first scam, she was told she could double her investment in a year, and this level of return really should have been seen as too good to be true. But I can't see that Miss L took any steps to verify that the scheme she was investing in was legitimate. And by the time of the third scam, when Miss L made some more faster payments, she was already aware that two previous schemes her friend had involved her in had failed to produce any real profits and had led to a significant financial loss to her. In these circumstances I think she should have held the final scheme her friend involved her in up to much closer scrutiny than she did. But Miss L appears to have been happy to go ahead with the payments without taking any steps to check that she was paying into a legitimate scheme. Additionally, at this stage she appears to have thought she was making payments in order to facilitate a job, which in itself should have seemed unusual and potentially suspicious to Miss L.

In short, I find there were indicators that all was not as it seemed with these opportunities that Miss L's friend was presenting to her. And with all this in mind, I think Lloyds has been able to fairly establish that when Miss L made the faster payments that are covered by the CRM Code, she did so without a reasonable basis for believing she was making the

payments to a legitimate business or for a legitimate purpose. This means that, as set out in the Code, Lloyds does not need to fully refund her for her loss even though this was the result of a scam.

However, under the terms of the Code a bank may still be required to partially reimburse a customer in circumstances where it hasn't met the standards set for firms by the Code. That would include requirements in terms of funds recovery or in taking sufficient steps to protect the customer from falling victim to a scam.

But the faster payments Miss L made were not for particularly high amounts and do not, in my mind, appear as particularly unusual or suspicious in the context of her usual account usage. So, I'm not persuaded that Lloyds was required to give a warning in this case or carry out any fraud checks regarding the faster payments. And it follows that I am satisfied that Lloyds has not failed in its obligations to Miss L under the Code, so I don't think it is liable for refunding any of Miss L's loss under the Code.

Miss L has mentioned her financial difficulty, which she says made her more susceptible to being scammed, but I don't agree that being in financial difficulty would have meant she was unable to protect herself from these scams.

I have also considered whether Lloyds could have done more to recover Miss L's funds once she told it of the scam. But I'm satisfied Lloyds could not have done more given the delay between the payments taking place and Miss L reporting them as a scam, and bearing in mind that it appears Miss L's funds were ultimately used to buy cryptocurrency.

The payments not covered by the Code

The card payments that Miss L made to these scams are not covered by the CRM Code. And the starting point regarding those card payments, under the relevant regulations (in this case, the Payment Services Regulations 2017) and the terms of Miss L's account, is that she is responsible for payments she authorised herself.

Because of this, Miss L is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

Taking the above into consideration, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Miss L, or whether it should have done more than it did.

In this case, Miss L's account had been open for some time prior to these payments, and so there was a significant account history against which Lloyds could compare any new payments to identify their risk. But while the first couple of card payments Miss L made were fairly large, their value alone was not, in my mind, enough to identify them as being particularly risky given the absence of any further indicators of risk. I do not consider they were identifiably to a particularly high-risk payee, as while the payee they were sent to does process cryptocurrency transactions it also operates traditional bank accounts, foreign currency accounts, and money transfers. These card payments also did not clear Miss L's account balance, and the two initial card payments were a few days apart, so not made in quick succession. Miss L did go on to make more card payments to this same payee, and at one stage made a payment of £5,000, but by this time the payee was established as one she regularly used and so, again, I do not think this would have reasonably been identified as a high-risk payment by Lloyds.

Miss L did then begin to make payments to a payee that was clearly associated with cryptocurrency. But these payments were again made over an extended period of time, with the payments often spread out and many of them being for relatively low amounts, Miss L also received credits into her account from the same cryptocurrency exchange. There was again one payment for £5,000, but as before, by the time this payment had been made the payee was well established as one Miss L had been using for around 5 or 6 months. So, while a pattern of payments had been established, this pattern was not, in my mind, clearly indicative of what we might usually see in a scam. Given these risk factors, I don't think it is reasonable to expect that Lloyds should have intervened directly with the payments Miss L was attempting to make.

However, even if Lloyds had intervened, I think it is unlikely it would have stopped Miss L from proceeding with the payments she was making. I say this because it is clear that she very much trusted her friend, hence why she seems to have fallen victim to three scams which were all introduced to her by the same friend. I cannot see that a written warning about potential scams would have been able to overcome the level of trust that Miss L evidently had in what her friend was telling her to do, particularly given that the way Miss L was introduced to the scams meant that some of the warning signs we might expect a bank to flag would not apply in Miss L's case. And I don't think that more direct intervention would have been warranted at any stage of these scam payments.

I've again thought about whether Lloyds did all it could to try to recover the funds Miss L lost from the card payments. But given that the payments Miss L made appear to have been largely to purchase cryptocurrency, and taking account of the significant time that passed between these payments and when Miss L notified Lloyds of the scam, I am satisfied that Lloyds could not have done anything to recover Miss L's loss.

I'm sorry to disappoint Miss L as I know that she has lost a significant amount of money. But, overall, I'm satisfied that Lloyds has treated her fairly here, and that it is not liable for refunding any of her financial loss.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 15 May 2025.

Sophie Mitchell
Ombudsman