

The complaint

Mr S complains that Lloyds Bank PLC won't refund money he lost when he was a victim of a crypto investment scam.

Mr S is represented by a firm I'll refer to as 'M'.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

Mr S fell victim to an investment scam in 2021 – with a firm I'll refer to as 'X'. As part of the scam, Mr S purchased crypto from legitimate crypto exchanges before forwarding it on to X's platform. The relevant transactions are:

Transaction Date	Transaction Type	Amount
8 April 2021	Debit card	£396.97
21 June 2021	Fund transfer	£750
25 June 2021	Fund transfer	£1,000
	Total	£2,146.97

Mr S realised he'd been scammed when he couldn't withdraw his funds and X's website disappeared.

M complained to Lloyds, on Mr S's behalf, on 9 March 2024. They said Mr S should be refunded fully under the Contingent Reimbursement Model (CRM) Code – noting that any warnings Lloyds might have provided weren't effective, and that they ought to have considered Mr S vulnerable due to his inexperience as an investor. M said Lloyds should also pay 8% interest on the funds, along with £1,000 compensation for the trouble and upset Mr S has suffered as a result of pursuing this complaint.

Lloyds didn't uphold the complaint. They said the payments aren't covered by the CRM code as the money went to an account(s) held by Mr S before being forwarded on to the scam. And they can't raise a chargeback claim for the debit card payment as the service was provided – so it couldn't be disputed.

The complaint was referred to the Financial Ombudsman. Our Investigator didn't think Lloyds had to do anything further. He said the payments wouldn't have been particularly unusual or suspicious to Lloyds based on Mr S's normal account activity – noting he had made payments of a similar or greater value previously. Nor did he think there was a payment pattern that would've raised any suspicions – as the payments were spread over

different dates and made to legitimate firms. So, he thought it was reasonable for Lloyds to process the payments in accordance with Mr S's instructions. Our Investigator also didn't think Lloyds could've done anything to recover the funds.

M disagreed. In short, they said:

- Banks should exercise a higher level of caution when it comes to potential fraud.
- There was an emerging payment pattern that warranted further scrutiny. The total amount lost was substantial and should've triggered more checks. And even if prior payments were similar, it doesn't absolve Lloyds of their duty to assess the full context of the transactions – including any red flags.
- Lloyds could've been more proactive in identifying the transactions as potentially fraudulent. Lloyds' systems should've been robust enough to identify potential fraud even without a direct interaction with the customer.
- The risk of financial harm from fraud here outweighs the need to avoid disruption to legitimate transactions. And Lloyds had a responsibility to provide clear and explicit warnings regarding the unregulated nature of the investment.

Our Investigator considered M's additional points, but his position didn't change. He explained it's not reasonable to expect a bank to stop and question every payment. Here the payments were made over two months to legitimate firms, and Mr S had made payments of a greater amount on his account before. So, he didn't think Lloyds should've identified the payments as suspicious.

M remained in disagreement with our Investigator. In short, they added:

- Although the payments went to legitimate firms, they want to emphasise that a pattern of multiple payments over time should've raised red flags.
- The fact these payments were made as part of a coordinated scam and involved a significant sum makes it essential for banks to have a more proactive approach to identifying fraud.
- Banks should have systems in place to flag potentially fraudulent based activity based on emerging patterns. And Lloyds' failure to intervene here demonstrates a lack of caution and due diligence.

The matter has been passed to me to decide.

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 very sorry Mr S has lost a significant amount of money. But I must consider whether Lloyds is responsible for the loss he's suffered. Having done so, and while I realise this isn't the outcome Mr S is hoping for, for similar reasons as our Investigator, I don't think they are. Because of this, I don't think Lloyds acted unfairly by not refunding the payments. I'll explain why.

Before I do, I want to reassure Mr S that I've considered everything M has submitted on his behalf. And so, while I've summarised this complaint in far less detail than what has been

provided, I want to stress that no discourtesy is intended by this. If there is a submission I've not addressed, it isn't because I have ignored the point. It's simply because my findings focus on what I consider to be the central issue in this complaint – that being whether Lloyds should refund Mr S.

M has referred to Mr S's payments being refundable under the CRM code - which can offer a potential means of obtaining a refund following situations like this. The CRM code however doesn't cover debit card payments, nor does it cover payments to a person's own account. I've therefore considered whether it would otherwise be fair and reasonable to hold Lloyds responsible for Mr S's loss.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Mr S knowingly made the payments from his Lloyds' account and so, I'm satisfied he authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of his account, Lloyds are expected to process Mr S's payments and he is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Lloyds to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

So, the starting point here is whether the instructions given by Mr S to Lloyds (either individually or collectively) were unusual enough to have expected additional checks to be carried out before the payments were processed.

When considering this, I've kept in mind that banks process high volumes of transactions each day. And that there is a balance for Lloyds to find between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate – as it wouldn't be practical for banks to carry out additional checks before processing every payment.

The payments being disputed here were mostly of a relatively low value - £1,000 or less. And having reviewed Mr S's prior account activity, the payment values were in line with his typical account spend (as he'd made transactions of £800 and £1,500 in the prior six months). It's also worth noting that it's common for customers to make occasional transactions of a higher value. Because of this, the payments – based on their value – wouldn't have been seen by Lloyds as out of character for Mr S or presented a significant risk of financial harm from fraud.

I've also thought about the frequency of the payments. Here, the payments were made over nearly a three-month period and so not in rapid succession. And while the latter two payments were made within four days, I don't think this was sufficiently indicative of potential fraud. I'm simply not persuaded that a pattern of fraud was emerging here that Lloyds ought reasonably to have identified.

As I've said, there is a balance for Lloyds to find between questioning transactions and allowing customers to use their account without unreasonable friction. And so, while there are circumstances where it might be appropriate for Lloyds to take additional steps or make additional checks before processing a payment, for the above reasons, I think it was reasonable for Lloyds to assume the payments here were being made for legitimate purposes. I therefore consider it was reasonable for Lloyds to process the payments upon receiving Mr S's instruction(s).

I've also considered whether, on being alerted to the scam, Lloyds could reasonably have done anything to recover Mr S's losses, but I don't think they could. The only possible option for recovery for the debit card payments to the crypto exchange would've been to have attempted a chargeback. But this likely wouldn't have had any reasonable prospect of success given the service was provided – that being the purchase of crypto which Mr S then forwarded on to X's trading platform. And the funds transferred to the crypto exchange went to an account in Mr S's own name which, similarly, were forwarded on as part of the scam. Because of this, no funds would've remained for Lloyds to recover. But even if there were funds remaining, Mr S would've had access to them himself.

In conclusion, while I have a great deal of sympathy for Mr S, I cannot reasonably direct Lloyds to refund him. For the above reasons, I think Lloyds have acted fairly.

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 S to accept or reject my decision before 25 September 2025.

Daniel O'Dell
Ombudsman