

The complaint

Mr C complains that Lloyds Bank PLC has unfairly refused to refund his losses after he fell victim to a scam.

Mr C is represented in his complaint by a professional third party but for ease I will refer to Mr C throughout.

What happened

In early 2022, and after researching investment opportunities, Mr C contacted a business he found online. I will refer to this business as F. Mr C says that F had a professional looking website. After providing his details to F, it allocated an account manager and helped him to download software to start making trades.

Mr C says he made an initial payment of £200 to open his account. After his profits appeared to increase, Mr C made two further payments. Mr C says he realised he had been scammed when he tried to withdraw funds and was asked to pay withdrawal fees.

Mr C made the following disputed payments:

No.	Date	Type of transaction and merchant	Amount £
1	14 March 2022	Debit card payment - T	191.60
2	14 March 2022	Debit card payment - B	528.45
3	31 March 2022	Debit card payment - B	3,004.72
Total			£3,724.77

Our investigator didn't uphold Mr C's complaint. In summary, she didn't think the payments were particularly unusual or suspicious when compared to Mr C's usual account activity. Our investigator noted that Mr C transferred money to his Lloyds current account from his savings account. And that Lloyds stopped the payment so it could discuss it with Mr C. He said he was making the transfer to pay bills despite Lloyds giving him scam advice.

Our investigator said there were no warnings about either T or B (the merchants Mr C paid) which would have flagged the payments as unusual. As Mr C didn't speak with Lloyds about the three payments, it didn't miss an opportunity to intervene. And at the time Mr C made the payments to B – an identifiable cryptocurrency merchant, there wasn't an expectation on Lloyds to have issued cryptocurrency investment scam warnings.

Mr C disagreed with the investigation outcome. In summary, he said:

- The large internal transfer shouldn't be considered when assessing unusual activity.

- If Lloyds had intervened appropriately in the third transaction, it would have viewed Mr C's answer of paying bills as a red flag and would have probed further, ultimately uncovering the scam.

Our investigator responded to Mr C to say that the crucial thing was that in March 2022, there wasn't an expectation for banks such as Lloyds to intervene in the size of cryptocurrency payment made.

As Mr C doesn't agree with the investigation outcome, his complaint has come to me to make 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.

The Contingent Reimbursement Model Code doesn't apply in this case because Mr C carried out the transactions using his debit card.

Mr C hasn't provided any direct evidence of a scam, but even if he had, I would not be upholding his complaint for the reasons set out below.

Mr C doesn't dispute authorising the transactions, so the starting point under the relevant regulations (in this case, the Payment Services Regulations 2017) together with the terms of Mr C's account, is that he is responsible for payments he's authorised himself but this is not the end of the story.

Taking into account longstanding regulatory expectations and requirements and what I consider to have been good practice at the time, Lloyds should fairly and reasonably have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances – as in practice all banks, including Lloyds, do.

I consider Lloyds should fairly and reasonably:

- have been monitoring accounts and any payments made or received to counter various risks, including 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 banks are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – as in practice all banks do; and
- have been mindful of – among other things – common scam scenarios, the evolving fraud landscape (including for example the use of multi-stage fraud by scammers) and the different risks these can present to consumers, when deciding whether to intervene.

Should Lloyds have recognised that Mr C was at risk of financial harm from fraud?

While there are known fraud risks associated with cryptocurrency, this does not mean that all

transactions involving cryptocurrency are related to scams. And Lloyds has to strike a balance between allowing customers to use their account and stopping and questioning transactions.

In the context of Mr C's account and Lloyds' responsibilities, the first two payments he made don't seem sufficiently out of the ordinary for his usual spending to have prompted Lloyds to intervene.

I've taken into account that these payments were made to cryptocurrency providers and I'm aware that scams involving cryptocurrency are becoming increasingly prevalent and well known to banks. But, at the time these payments were made, I think it was reasonable for the bank to consider a range of factors when deciding whether to make further enquiries of its customer about a particular payment. In this case, the pattern of payments wasn't consistent with fraud and their values did not, in my view, indicate a heightened risk of financial harm. So, in this case, I think the bank was right not to view the payments with suspicion.

I have looked at Mr C's current account statements since March 2021 and can see that he kept his credit balance low, sometimes becoming overdrawn. As he transferred almost £2,000 from his savings account to his current account, Mr C had enough funds to make the third payment without tipping into his overdraft. So, this wasn't a case of Mr C becoming heavily overdrawn to make the payment to B. I think this made it even less likely that Lloyds would have intervened in the transaction.

Although Lloyds held the internal transfer from Mr C's savings account for checks, I don't think this means it should have done the same for payment three. Particularly as when asked about the internal transfer, Mr C said he wasn't in financial difficulties and was transferring money for a bill payment. So, Lloyds was not on notice for example, that Mr C was struggling financially, which might have left him more susceptible to a scam or that he intended to use the money to invest in cryptocurrency.

In deciding that Lloyds acted reasonably in processing the payments, I have also taken account of the fact that it has confirmed it hadn't received any negative reports about the merchants. So, there were no other indications that Mr C might be at risk from financial harm.

Overall, I am not persuaded that by payment three, a pattern had emerged which Lloyds should have been concerned about. And as our investigator has already said, without any other concerning factors, we wouldn't have expected a cryptocurrency transaction of the size of payment three to have led to an intervention by Lloyds in March 2022.

Mr C's representative has said that he was vulnerable at the time he made the payments, as his wife was in hospital and he wished to generate some additional income. I can't see that Mr C made Lloyds aware of this, so it had no reason to believe he may have needed additional support.

While I am sorry to disappoint Mr C after he has lost money, I can't reasonably hold Lloyds responsible for the loss. And although Mr C found the experience distressing, this was down to the actions of F, rather than any failing on the part of Lloyds. So, I don't require it to pay Mr C the compensation he asked for as part of this complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 May 2025.

Gemma Bowen
Ombudsman