DRN-5458011

The complaint

Mr B is unhappy that Lloyds Bank PLC won't fully refund the payments he made as part of a scam.

What happened

In 2024 Mr B came across an advert on social media for a cryptocurrency investment company, I'll call "A". Interested in the opportunity, he left his details – and was later contacted by some purporting to be a broker. Mr B says he asked the broker questions over the phone, and was told A was regulated. He was also given an address for F in Canary Wharf, which he says helped reassure him it was a genuine company.

Mr B was advised to open up a wallet with a cryptocurrency exchange, so he could send cryptocurrency to A's investment platform to be traded. So he opened a wallet with a legitimate cryptocurrency provider, I'll call "C", and transferred funds (originally held in savings) to it from his Lloyds bank account. Once exchanged, Mr B withdrew the cryptocurrency from his wallet at C, to the details provided by scammer – and lost control of his funds at that point. Over the course of six weeks, Mr B was persuaded to send almost £43,000 to A, via the below transfers (to C's account at another bank). Lloyds didn't intervene to carry out fraud checks on any of the payments.

Payment	Date	Time	Type/Payee	Amount
1	30 September 2024	12.51	Faster payment to C	£507
2	1 October 2024	11.40	Faster payment to C	£752
3	4 October 2024	15.15	Faster payment to C	£3,040
4	9 October 2024	20.39	Faster payment to C	£3,000
5	15 October 2024	15.30	Faster payment to C	£3,060
6	17 October 2024	11.49	Faster payment to C	£2,310
7	24 October 2024	12.57	Faster payment to C	£3,860
8	24 October 2024	13.05	Faster payment to C	£3,860
9	24 October 2024	13.17	Faster payment to C	£3,860
10	24 October 2024	14.20	Faster payment to C	£350
11	29 October 2024	12.56	Faster payment to C	£7,000
12	29 October 2024	13.54	Faster payment to C	£3,500

13	4 November 2024	11.52	Faster payment to C	£5
14	5 November 2024	10.45	Faster payment to C	£6,401
15	8 November 2024	9.26	Faster payment to C	£1,200
16	16 November 2024	21.46	Faster payment to C	£5
17	16 November 2024	22.02	Faster payment to C	£20
18	16 November 2024	22.16	Faster payment to C	£2
			Total	£42,732

Towards the end of October 2024 Mr B needed to access his funds, and attempted to make a withdrawal, but two 'market crashes' left his account in a precarious position. He was told the situation could be rectified if he invested more – which led him to taking a loan with Lloyds. Mr B was then contacted by an agent at the 'Blockchain' investigating the source of the money for some trades and A's practices. The barriers to him being able to withdraw his balance eventually led him to realise he'd been scammed.

A complaint was raised, via representatives – which stressed that Lloyds had missed clear signs Mr B was at risk, and highlighted he was vulnerable at the time as he was going through a redundancy process. Lloyds' final response said the payments weren't covered by any of the scam reimbursement rules in force at the time (due to them going to his own cryptocurrency wallet). However, Lloyds did accept that more could have been done to protect Mr B. It thought, on reflection, the account activity should have been recognised as suspicious, prompting an intervention, prior to allowing payment 9. As a result, Lloyds refunded £11,398.53 – which was 50% of the transactions from that point onwards, to allow for Mr B's role in the loss.

Unhappy with the response, Mr B referred the complaint to our service for review. One of our investigators considered everything and thought Lloyds' offer to resolve the complaint was fair. In his view, there were earlier points where Lloyds should have provided warnings, but the investigator didn't think those would have stopped Mr B from making further payments – given the string degree of trust he had in the scammer. But by payment 9, the investigator agreed that Lloyds should have spoken to Mr B, and it would have uncovered what was happening during that conversation. The investigator also agreed the 50% deduction applied to the refund by the bank was reasonable, as Mr B had missed clear warning signs that the investment opportunity wasn't genuine. He appreciated Mr B was going through a tough time when he fell for the scam, but didn't think that lessened his responsibility in the matter.

Mr B disagreed with the investigator's opinion, and made the following points in response:

- He didn't think the impact on him, of the life changing event he was going through when this happened, had been fully appreciated. He wanted to stress that he wasn't himself during the period – and the redundancy news left him vulnerable. Mr B explained that it affected his basic judgment and managing of risk.

- The account activity seen during the 6 weeks when the scam was occurring ought to have appeared seriously out of character to Lloyds, compared to how it had been operated in the previous 25 years.

- Mr B believes the friendly rapport he had with the trader could have been broken by the bank, and that a fraud intervention would have woken him up from the scammer's spell.

- He said it can't be known whether Lloyds carrying out fraud checks would have worked to uncover the scam or not. The issue isn't whether a customer takes affirmative action as a result of an intervention, but the point is Lloyds should have intervened based on what it was seeing.

- He added that eventually having to apply for a loan was another clear sign things weren't right, and should have prompted questions from Lloyds.

- Mr B said he would hate for this to happen to another person, so urged Lloyds to take a step back and review what could have been done differently to avoid the loss.

The investigator considered Mr B's comments, but his opinion remained the same. As no agreement could be reached, Mr B asked for an ombudsman to review things. So the complaint was passed to me for a final decision on the matter.

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.

Having done so, I'm not upholding Mr B's complaint, as I think the amount Lloyds has already refunded fairly reflects the extent of its responsibility in what happened. I appreciate that will come as a great disappointment to Mr B, who I know feels strongly that Lloyds should have done more. I was also saddened to hear about how much the incident had affected him. There's no dispute that Mr B fell victim to a sophisticated scam. But what I must decide is whether Lloyds should have been able to prevent more of the loss. On balance, I'm not concluding that's what would have happened – and I've explained my rationale below.

In broad terms, the starting position in law is that a bank like Lloyds is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account and the Payment Services Regulations (PSR's). Mr B 'authorised' the transactions in question (he made them), albeit under the false belief they were for a legitimate investment opportunity. So Lloyds was under an obligation to process the payments – but that isn't the end of the story, as far as Lloyds' responsibility in the matter goes.

While that's the starting position, I've also taken into account the regulator's rules and guidance; relevant codes of practice, along with what I consider to have been good industry practice at the time. I've also applied Lloyds' terms for the account, which say it can delay payments and make enquiries where it reasonably suspects fraud. Those together mean I consider Lloyds should fairly and reasonably have been on the lookout for the possibility of fraud at the time, and intervened if there were clear indications its customer might be at risk. Lloyds has a difficult balance to strike in how it configures its systems. It needs to detect activity that indicates a higher than usual risk of fraud, whilst not unduly hindering legitimate transactions. There are many millions of payments made each day, and it would not be possible or reasonable to expect firms to check each one. In situations where firms do (or ought to) carry out checks, I would expect that intervention to be proportionate to the circumstances of the payment. Lloyds accepts it should have done more to protect Mr B, and has made an offer to put things right. So I've considered if that offer is fair in the circumstances.

It seems Mr B predominantly used his account with Lloyds to pay bills – so historically there were fewer payments seen, compared with one used for everyday spending. But more of them were larger, proportionally, with at least a couple of the transactions made each month being for over £1,000. The first two payments wouldn't have indicated he was at risk, as although they were going to a cryptocurrency exchange, they were relatively low in value.

The third payment wouldn't have been concerningly high in value for the account, as there had often been spend around that level before. But it was a larger payment going to a known cryptocurrency provider, so I think it carried enough risk to warrant an automated scam warning being given. Whilst most transactions going to cryptocurrency exchanges will be made for legitimate purposes, Lloyds will have been aware of the growing trend by this point in cryptocurrency related scams. These usually involve victims being persuaded to set up wallets themselves, before exchanging fiat currency and sending the cryptocurrency onto (for example) a fake investment platform – as was the case here. So the fact that Lloyds believed the wallet this payment was going to was under Mr B's control, couldn't serve as sufficient reassurance that he wasn't falling for a scam. However, an obvious scam pattern hadn't formed by this point, and factoring in the previous spend on the account I don't think Lloyds ought to have been concerned enough to have spoken to him.

The warning I think ought to have been presented during the online transfer process would have highlighted the key features of cryptocurrency investment scams (because I think it's likely Mr B would have be open about what he was doing, and selected 'investment' if asked about the purpose of the transfer). I'm not, however, persuaded that warning would have stopped him making the payment, or led to the scam being uncovered and prevented further losses. I appreciate Mr B's comments that we can't know for sure what would have happened had Lloyds intervened to give a warning, and I agree it should have. But Mr B believed he was dealing with a knowledgeable and regulated broker – he also hadn't yet seen the very high returns he would later achieve. So, to my mind, those aspects being highlighted in a warning wouldn't have struck enough of a chord to stop him. The friendly nature of their correspondence suggests to me a good degree of trust and rapport had been formed early on – which, combined with the other persuasive elements of the scam, mean I don't think a warning would have resonated sufficiently at that point.

Over the next two weeks Mr B sent three further payments of a similar size to his wallet at the cryptocurrency exchange. But these amounts weren't significantly out of character for the account, in terms of value, and an obvious scam pattern hadn't formed. So, given they were spaced out (days apart) and not escalating in size (the last one was £700 less than first) I don't think Lloyds ought to have been sufficiently concerned to have intervened again. Even if the bank had given another automated warning on any of them, I don't think that would have impacted him enough, for the same reasons it wouldn't have worked before payment 3.

I accept that cumulatively a lot of money had gone to cryptocurrency in the recent weeks by this point, and that did constitute a change in use for the account on Mr B's part. But I'd need to be satisfied that Lloyds ought to have been concerned he was likely at risk of financial harm, rather than just investing in cryptocurrency, for me to say it ought to have done more than show tailored scam warnings. Having thought carefully about the transactions, I don't think there were sufficient risk factors present to warrant further intervention, like a call.

Things change, however, on 24 October 2024 – and three more payments of similar size made in a day ought to have concerned Lloyds. That represented a serious escalation in things, and breaking down the total going to cryptocurrency into three identical payments suggested an attempt to evade fraud controls. Lloyds should have spoken to Mr B before allowing the third payment for £3,860 to go out, as by that payment (number 9) a worrying pattern had formed. Lloyds also agree that's where it should have stepped in, as there were clear indications he was at risk.

I’ve thought about what would have happened during that call with Lloyds’ fraud team, and whether the scam would have likely been uncovered – and I think it would have. That’s because I’ve not seen any suggestion Mr B had been coached to hide what he was doing from the bank, so I think he’d have been open about the investment. Lloyds would have been concerned about the market crashes and the pressure he was under to pay more to the platform to recover the position. It also would have questioned the unrealistic returns seen and the barriers to withdrawing the funds. Mr B started to have doubts himself by that point, given what had happened in the previous few days, with the trader (he’d formed a friendship with) not listening to his instructions. So Lloyds stood a very good chance of breaking the scammer’s spell if it had probed him about the circumstances before allowing payment 9.

Lloyds has refunded half of the payments made to the scam from payment 9 onwards, because it believes Mr B should have been more alive to warning signs involved. So I’ve thought about whether Mr B should bear any responsibility for his loss, and when doing so I’ve considered what the law says about contributory negligence, as well as what’s fair and reasonable in the circumstances.

I recognise that there were sophisticated aspects to this scam, including a trading platform that would have looked completely legitimate to an inexperienced investor. I believe Mr B’s testimony around how knowledgeable the scammer appeared during the calls where various trades were discussed in detail. Mr B had sought out A, which again would have been reassuring. I also don’t doubt the high degree of social engineering that the scammer would have exerted on him throughout the period.

But Mr B was investing a large amount of money, which he told the scammer he couldn’t afford to lose. I appreciate he wasn’t an experienced investor, and perhaps didn’t know a lot about cryptocurrency trading, but the amounts involved here represent more than just a dabble in a new market. The returns he was then quickly seeing on the platform ought to have seemed too good to be true – even based on what he might have heard about the money to be made in cryptocurrency. So before committing amounts like this, particularly in light of the concerning factors, some diligence was required on Mr B’s part – and I think he accepts he should have done more checks on A.

By payment 9, when Lloyds’ liability also kicks in, I think there were several red flags that the opportunity might not be legitimate. There had been two ‘market crashes’ in a short space of time, and the trader seemingly wasn’t acknowledging his attitude to risk. Mr B had tried to withdraw his funds for urgent purposes, but had been met with barriers to doing so, and instead was being pressured into sending a lot more to recover the position (when that wasn’t his fault). A genuine investment firm wouldn’t encourage loans to be taken in order to chase losses either, and that should have struck him as odd. So I don’t think it was reasonable to continue sending significant amounts of money (by this point £10,000 in a day) without acting on those warning signs. Mr B also told the scammer he had doubts about continuing on that day, and had he done some further research on A in light of those concerns he'd have found negative reviews and that it wasn’t regulated.

I’ve considered Mr B’s argument that he was in a vulnerable state as a result of the ongoing redundancy consultations, and that likely clouded his judgement. I have no doubt the looming implications of being out of work in the near future made him take risks he wouldn’t have otherwise. That heightened financial pressure meant he was definitely more vulnerable to this type of scam – which promised high returns quickly. While I can understand his motivations, and I acknowledge his circumstances would have been impacting his decision making, I don’t think that meant he couldn’t reasonably have been expected to pick up on the warning signs here. Mr B was still working and managing his day to day affairs, and I think the red flags were stark enough that he ought to have been (and seemingly was) concerned.

Mr B has very sadly paid a terrible price for being overly optimistic about the returns that could be achieved through cryptocurrency investing – and these types of scams rely on a victim's judgement being similarly clouded. But, overall, I don't think Mr B's circumstances meant he was sufficiently less able to mitigate the risks involved, to the extent that his responsibility should be lessened. So I've decided that a 50% deduction for contributory negligence fairly applies – and that Lloyds' offer is in line with what our service would have decided.

There wasn't more Lloyds could have done to recover the payments once alerted to the scam, as none remained at Mr B's cryptocurrency wallet (the funds were sent on to the scammer from there shortly after). Mr B did take out a loan with Lloyds to fund a later payment, and that wouldn't have been needed had the scam been uncovered prior to it. But thankfully he paid that borrowing back quicky – meaning he avoided most of the interest that could have been due on it. Lloyds also paid £50 for the upset Mr B experienced, which means overall I think it's covered the extent of its liability. Given both parties share accountability for the loss, and ultimate responsibility for what happened lies with the scammer, I don't think Lloyds needed to pay additional compensation. The interest payment on the award also covered the time he was deprived of use of his funds.

I want to reiterate how sorry I am that Mr B has had this money stolen. I also hope he doesn't take any of my comments, in deciding the extent of Lloyds' liability, to infer blame on him for what happened. Mr B fell victim to a cruel scam – and Lloyds accepts it should have done more to protect him. But, overall, I think the bank made a reasonable attempt to put right its mistakes with the offer it paid him.

My final decision

My final decision is I don't uphold Mr B's complaint about Lloyds Bank PLC, as I find its offer to resolve things was fair and reasonable. Since the bank has paid that offer already, there is nothing further for me to direct.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 August 2025.

Ryan Miles
Ombudsman