DRN-5500857

The complaint

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

Mr K is represented by a firm I'll refer to as 'R'.

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 K has explained that he received an unsolicited message from a person on an instant messaging application about an investment opportunity. He was directed to download an application to invest in crypto. And this required him to purchase crypto, from a legitimate provider, before forwarding it to a wallet address that he was provided.

To fund the scam, Mr K took out a £34,000 loan with Lloyds – which credited his account on 31 December 2023. The next day he transferred £15,000 to an account he held with another banking provider – which I'll refer to as 'S'. He also transferred £19,000 to another account he held with Lloyds before forwarding this to S. Once the funds were in Mr K's account with S, he transferred the funds to another account he held with an electronic money institution (EMI) that I'll refer to as 'E'. Mr K then purchased crypto using his E account.

Mr K says he realised he'd been scammed when, despite paying withdrawal fees, he didn't receive his funds.

R complained, on Mr K's behalf, to Lloyds on 9 February 2024. In short, they said:

- Lloyds failed to identify account activity that was out of character. And had Lloyds intervened appropriately, the fraud would've been prevented.
- An appropriate intervention, whereby Lloyds asked Mr K open and probing questions, would've uncovered the hallmarks of an investment scam.
- It is understandable why Mr K felt the investment was real and believable – as he undertook an internet search before investing, and he was given access to a sophisticated and professional trading portal which showed fake real time returns and deposits/trades.
- The fraudsters were in constant contact with Mr K, and due to his investment inexperience, he was unfamiliar with how things worked.
- Lloyds is expected to monitor account activity for signs of fraud.
- Lloyds should refund Mr K and pay 8% simple interest.

Lloyds didn't uphold the complaint. They didn't think the transactions were unusual as Mr K made regular payments from his accounts – and there wasn't any reason to prevent these payments being made. Lloyds also explained that as funds were also sent to an account in Mr K's own name, there hadn't been any loss from his Lloyds' account.

Mr K's complaint was referred to the Financial Ombudsman. Our Investigator didn't think

Lloyds had to do anything further. She said Mr K's normal account activity had a pattern of large frequent transfers, including to his own account. And so, given the disputed payments were going to an account in Mr K's own name with another banking provider, she didn't think they would've flagged any concerns with Lloyds.

R disagreed with our Investigator. In short, they said:

- The prior account activity was different to the disputed payments – as it was, for example, to his credit card provider rather than Mr K's own account. And this was spread over different days whereas the £34,000 was transferred on a single day.
- Although payments to other accounts held in a customer's own name do generally carry a lower fraud risk, the payments here were almost three times the previous largest daily transaction amount and significantly greater than transactions Mr K typically made. This should've been seen by Lloyds as 'out of character' for Mr K and been flagged for questioning.
- Had Lloyds intervened, the scam would've been exposed and Mr K's loss would've been prevented. This is because Lloyds would've identified the hallmarks of a standard crypto scam.

Our Investigator considered R's additional points, but her position remained the same. She referred to prior activity on Mr K's account that indicated a longstanding pattern of making significant payments to his own account(s). And even if he was questioned by Lloyds, she thought Mr K would've only conveyed that he was moving funds to his own account.

R remained in disagreement with our Investigator. They emphasised that this was an objectively large amount of money that should've been questioned regardless of prior account activity. But they also didn't think Mr K's prior account activity would've normalised the disputed payments. R added that Lloyds should be familiar with multi-stage fraud and so, considered these payments as high risk. Furthermore, R argued that Mr K would've been open and honest with Lloyds if questioned, and that such questioning should've been open-ended and probing – thereby requiring more detailed responses. In turn, this would've uncovered the scam.

Our Investigator's position didn't change – with her remaining of the view that the payments wouldn't have raised any concerns due to Mr K's prior account activity. So, 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 must consider whether Lloyds is responsible for the loss Mr K says he suffered to an investment scam. Having done so, and while I realise this isn't the outcome Mr K is hoping for, 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 K that I've considered this case on its own merits and taken account of everything R 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 is responsible for the claimed loss.

My first consideration is whether Mr K was the victim of an investment scam which, due to limited evidence provided, is a difficult point to conclude conclusively. But for the purpose of this decision, I don't need to make a finding on that point. Instead, I'm focusing on whether action by Lloyds could've prevented Mr K's claimed 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 K knowingly made the payments from his 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 K'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 K 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.

Here, the two disputed payments were going to an account in Mr K's own name with another bank (S). Although Lloyds should be aware of the risk of multi-stage fraud and be on the lookout for it, the fact the money was going to Mr K's own account would've been somewhat reassuring to them (as it generally poses a reduced risk of financial harm from fraud). That said, as R has pointed out, the two payments were for what could be considered a large sum of money (£34,000).

I've therefore looked at Mr K's prior account usage. The payments to S were from two different accounts Mr K held with Lloyds. And on these accounts, it was relatively common for Mr K to make multiple transactions on the same day – both to the same or different payees. He also regularly made transfers to his own accounts (both with Lloyds and other providers), and transactions of several thousand pounds were frequent too. So, while I accept these disputed payments were for more than Mr K typically transferred, I don't think it was so unusual or out of character for him whereby I would've expected Lloyds to have had significant concerns that there was a heightened risk of financial harm from fraud. At which point, I'd note that it is also common for customers to make occasional transactions of a higher value at times.

It follows that I'm not persuaded the disputed payments were so suspicious; or presented enough of an identifiable risk of potential fraud, in which I would reasonably have expected Lloyds to have carried out additional checks before processing them.

In any event, and for the sake of completeness, even if Lloyds *had* carried out additional checks – such as undertaking automated questions, contacting Mr K to discuss the payment and/or provided scam warnings – I'm not persuaded this would've made a difference. This is because, while I won't set out the details here, I'm not satisfied that Mr K was entirely open and honest with E when they questioned him about the surrounding circumstances of the payments he was making to the crypto provider. I therefore think, if Lloyds had undertaken similar checks, Mr K would most likely have similarly withheld the true purpose of the payments. And so, I don’t think Lloyds could’ve uncovered Mr K was falling victim to a scam anyway.

On a final note, I’ve considered whether, on being alerted to the scam, Lloyds could reasonably have done anything more to recover Mr K’s losses, but I don’t think they could. The payments went to S but were then forwarded on to E. Lloyds could’ve only sought to recover funds from S, but this was an account in Mr K’s own name and the funds had already been removed.

I appreciate Mr K will be disappointed by this outcome. But it would only be fair for me to direct Lloyds to refund his loss if I thought they were responsible – and I’m not persuaded that this was the case. For the above reasons, I think Lloyds have acted fairly and so I’m not going to tell them to do anything further.

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 K to accept or reject my decision before 27 August 2025.

Daniel O'Dell
Ombudsman