

## **Complaint**

Mr B is unhappy that Lloyds Bank PLC didn't reimburse him after he reported falling victim to a scam.

## **Background**

The background to this complaint is familiar to both parties, so I will provide only a brief summary of the key events.

In early 2024, Mr B became aware of an investment opportunity through an advert on social media. The advert promoted a company that claimed to manage investor funds and generate substantial returns through cryptocurrency trading. It also stated that the company was a subsidiary of a well-known, reputable bank.

Mr B made an enquiry and began communicating with several individuals who said they represented the company. Unfortunately, although Mr B did not know it at the time, he was not dealing with a genuine investment firm. He had unknowingly made contact with fraudsters.

Mr B recalls that the individuals he spoke with appeared professional and diligent. He initially invested a modest amount, but after seeing what he believed were positive returns, he was persuaded to invest more. To fund these further investments, he took out significant loans with third-party lenders.

Between February and April 2024, Mr B used his Lloyds card to make payments totalling more than £130,000 to two third-party cryptocurrency exchanges. As I understand it, these funds were converted into cryptocurrency and transferred into accounts controlled by the fraudsters. There were also several payments made from Mr B's Lloyds account to other firms where he held accounts. Those funds were then transferred onwards into the fraudsters' control.

Once he realised he'd fallen victim to a scam, Mr B complained to Lloyds. It didn't agree to refund his losses. Mr B wasn't happy with that response and so he referred his complaint to this service. It was looked at by an Investigator who didn't uphold it. Mr B disagreed with the Investigator's opinion and so the complaint has been passed to me to consider and come to a final decision.

## **Findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account.

Lloyds was a signatory to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code). Under certain circumstances, a customer may be entitled to reimbursement under that Code. However, it generally doesn't apply either to payments

made by debit card or payments made to an account in the customer's own name. So unfortunately, the payments Mr B made aren't covered by it.

However, that isn't the end of the story. Good industry practice required that Lloyds be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to protect its customer. That might be as simple as providing a written warning as part of the payment process or it might extend to making contact with the customer to establish the circumstances surrounding the payment.

With hindsight, we know Mr B was the victim of fraud. The questions I must consider are:

- (a) whether the risk should have been apparent to Lloyds at the time, given the information available; and
- (b) whether any error on its part was the cause of his losses.

In coming to a finding on (b), I have to take into account the relevant legal principles which require me to consider whether the loss would have occurred *"but for"* the bank's failings. In other words, I need to be satisfied that it is more likely than not that, had Lloyds acted as it should have, Mr B would not have suffered the loss he is now complaining about. If the loss would have occurred in any event, regardless of the bank's conduct, then the bank's failings cannot be said to be the *"but for"* cause of that loss.

I think there were several points during the lifetime of this scam where Lloyds ought to have had concerns and called Mr B to establish the wider circumstances. However, as I explained above, I can't uphold Mr B's complaint unless I'm also persuaded that any inaction on Lloyds' part was the cause of his losses. That means I have to consider what would've happened if it had intervened. I recognise that it isn't possible to answer that question with certainty. In situations like this, I need to consider the available evidence to determine whether it suggests that Mr B is more likely than not to have been deterred from making any, or all, of the payments. Having reviewed all the evidence, I'm not satisfied that this argument can be supported.

I can see that there was an early intervention by Lloyds when Mr B attempted a £3,000 card payment. His account was temporarily blocked, and he had to speak to an employee of the bank before moving forward. He told the call handler that he was making a payment for services related to his business. The call lasted about 20 minutes, but I've transcribed the particularly relevant parts of the call below.

*Mr B: We are developing a trading app ... I'm asking them to make the payment so that they can develop the trading app for me.*

*Lloyds: Will they create an app for your business?*

*Mr B: Yes, correct [...] we have discussed an app development service, and then they are going to develop an app for me. And once initially I pay the payment, they will start the work for me. And then based on that, then we have milestones. In milestone one, they will complete 25% of the work, and then milestone 2, then 50%, and then milestone 3, 75%.*

Mr B said that he didn't have anything, such as a written contract in which the terms of this agreement were set out. For that reason, the call handler was reluctant to approve the transaction. Mr B told them that *"this is my work and if my work is getting stopped, then I have to use my other account to just move forward."* The call handler cancelled the transaction and unblocked Mr B's account. They said they strongly recommended he not make the payment until he took further steps to make sure the company he said he was paying wasn't going to take his money and not complete the work. Shortly afterwards, Mr B made the payment via an account he held with a different business.

Mr B's explanation to the call handler was fabricated. His willingness to mislead the bank in order to ensure the payments were processed without being questioned placed Lloyds in a particularly difficult position. On the basis of the account he chose to give, I consider the steps taken by the call handler to have been reasonable. In addition to that, his indication that he would proceed with the payment via an alternative route if the bank intervened suggests an unwillingness to engage with any warnings or advice the bank might have offered.

Having said that, Mr B made numerous payments during the period in which the scam took place, and it appears Lloyds did little to intervene in relation to them. In one sense, that's understandable. His first payment was a £3,000 transfer to a third-party cryptocurrency exchange. By the time Lloyds might reasonably have been expected to step in again, the subsequent payments were being sent to a well-established payee. From the bank's perspective, that would have reduced the apparent level of risk. Furthermore, during one of the calls at the end of March, Mr B informed the call handler that he was making a payment to a trusted account and that he had been using this particular exchange for approximately three years. As far as I can determine, that was not accurate either. However, it plainly communicated to the bank that he was an experienced cryptocurrency investor who understood the nature of what he was doing.

Although there was no discussion of fraud risk during that call, I find it highly unlikely that Mr B would have accepted any attempt by the bank to stop the payments. The messages exchanged between Mr B and the individual purporting to manage his investment indicate that he placed an exceptional level of trust in that person. Even when it became apparent that his investment was declining in value, Mr B sent messages expressing unwavering confidence, including statements such as: *"my belief and trust in you is still there and I want to continue"*, *"I have huge respect trust and belief in you..."*, and *"I have 100% belief and I have taken loan because of my confidence trust faith and belief in you."*

I am also conscious that Mr B had borrowed significant sums in order to pursue this investment. In those circumstances, it is plausible that his decision-making had become affected by elements of sunk-cost reasoning. In my view, Mr B would have found it difficult to confront the possibility that the investment was not genuine. The psychological burden of acknowledging such a loss (particularly given the level of debt he had taken on) may have made him increasingly resistant to information that challenged his belief.

In light of the strength of the convictions he expressed to the fraudster, it is difficult to see what further steps the bank could realistically have taken to overcome that level of conviction. His confidence in the purported investment and in the individual he believed was managing it was so entrenched that meaningful intervention by the bank would have been unlikely to make a difference.

I do not say any of this to diminish the fact that Mr B was the victim of a cruel and calculated scam. I have considerable sympathy for the position he now finds himself in. However, my role is to look at the actions and inactions of the bank. And while I accept that Lloyds could've done more here, I'm not persuaded that any potential shortcoming on its part was a cause of his losses.

### **Final decision**

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 26 February 2026.

James Kimmitt  
**Ombudsman**