

The complaint

Mr M complains that Lloyds Bank PLC won't refund the money he lost when he fell victim to an investment scam. Mr M is represented in this complaint, but I'll refer to him as it is his complaint.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a very brief overview of some of the key events here.

Mr M says that he had no previous investment experience and, when he was introduced to a hedge fund investment with Company H by a close friend at a religious gathering, he was shocked at the high returns. He saw this an opportunity to better his life.

Mr M explains that his friend, who had been investing for some time, showed him how much he was earning, and he'd *'never seen anything like that'*. Also, that he watched social media *'videos from the company and its members stating how the investment had changed their lives'*. In addition, he had calls about the investment with Company H, *'met members earning astronomical amounts of money'* and was encouraged by *'many members who were very high up'*. He adds that he didn't see warnings on the FCA website.

Mr M's wife took out loans with other banks and Mr M made cryptocurrency payments through crypto exchanges (Company C and D) having transferred money to them from his Lloyds bank account.

In January 2023, Mr M found the withdrawal limits were reduced and after communication ceased, he realised it was a scam.

Over a year later, Mr M realised he could make a claim, so he contacted Lloyds seeking:

- A refund of the £101,204 he'd lost, plus 8% interest.
- A payment of £1,000.00 to compensate him for poor service.

His complaint included the following points:

- The FCA published a warning about the investment company in March 2021.
- Investment Company H is widely accepted as being a scam.
- He was inexperienced so he should've been considered vulnerable with additional measures put in place to protect him.
- Any warnings Mr M received from Lloyds weren't effective as they weren't sufficiently clear nor impactful.

Lloyds said they didn't do anything wrong and declined his complaint for the following reasons:

- The Lending Standards Board's Contingent CRM code didn't apply as the payments Mr M made were by debit card and to another account in his name.
- The payments made using his debit card were to third-party crypto exchange companies (Companies C and D) who provided the requested service so they couldn't dispute them.
- They intervened early in the payments when they became unusual and out of character and during this call:
 - They told Mr M *'in detail about investment scams which involved cryptocurrencies and the FCA warning that these types of investments are high risk and customers should be prepared to lose their money'*.
 - Mr M *'agreed he understood the risks, we further questioned him and he told us no one else was involved and he was doing this under his own instruction'*.
 - *'At the time of him making the payments there was lots of information confirming this investment wasn't safe, with the FCA having clear warnings on their site'*.

Also, they noticed his loss was for a lower amount as he had received returns on his investment totalling approximately £43,190.

The following are the payments and returns, relating to Company H, that Lloyds identified went through Mr M's account greater than £1:

Payment Number / Credits	Date	Payment Type	Payment To	Amount
1	12/05/2021	Debit card	Company C	£12.87
2	12/05/2021	Debit card	Company C	£18.82
3	12/05/2021	Debit card	Company C	£20.76
4	12/05/2021	Debit card	Company C	£20.80
5	13/05/2021	Debit card	Company C	£16.47
6	14/05/2021	Debit card	Company C	£8.12
7	14/10/2021	Faster Payment	Company D	£3,650.00
8	15/10/2021	Faster Payment	Company D	£100.00
9	19/10/2021	Faster Payment	Company D	£3,600.00
10	22/10/2021	Faster Payment	Company D	£4,800.00
Credit	25/10/2021			-£699.00
11	28/10/2021	Faster Payment	Company D	£3,720.00
12	29/10/2021	Faster Payment	Company D	£4,000.00
13	29/10/2021	Faster Payment	Company D	£4,000.00
14	01/11/2021	Faster Payment	Company D	£500.00
15	01/11/2021	Faster Payment	Company D	£750.00
16	02/11/2021	Faster Payment	Company D	£5,000.00
17	03/11/2021	Faster Payment	Company D	£5,000.00
18	03/11/2021	Faster Payment	Company D	£3,900.00
19	03/11/2021	Faster Payment	Company D	£10,000.00
20	04/11/2021	Faster Payment	Company D	£4,000.00

21	04/11/2021	Faster Payment	Company D	£480.00
22	04/11/2021	Faster Payment	Company D	£30.00
23	15/11/2021	Debit Card	Company C	£48.06
24	17/11/2021	Debit Card	Company C	£4,002.71
25	18/11/2021	Debit Card	Company C	£390.60
26	18/11/2021	Debit Card	Company C	£1,509.13
27	19/11/2021	Debit Card	Company C	£317.57
28	19/11/2021	Debit Card	Company C	£360.68
29	14/12/2021	Faster Payment	Company D	£380.00
Credit	17/12/2021			-£9,599.00
Credit	31/12/2021			-£4,991.43
30	06/01/2022	Faster Payment	Company D	£810.00
Credit	08/01/2022			-£2,072.37
Credit	11/01/2022			-£1,109.84
31	18/01/2022	Faster Payment	Company D	£9,600.00
32	18/01/2022	Faster Payment	Company D	£400.00
33	19/01/2022	Faster Payment	Company D	£800.00
34	21/01/2022	Faster Payment	Company D	£1,000.00
35	22/01/2022	Debit Card	Company C	£378.90
36	25/01/2022	Faster Payment	Company D	£7,000.00
37	25/01/2022	Faster Payment	Company D	£1,000.00
38	25/01/2022	Faster Payment	Company D	£3,000.00
Credit	25/01/2022			-£1,986.79
39	28/01/2022	Debit Card	Company C	£187.58
40	28/01/2022	Debit Card	Company C	£24.60
Credit	29/01/2022			-£2,064.75
41	30/01/2022	Debit Card	Company C	£275.67
42	31/01/2022	Faster Payment	Company D	£380.00
43	01/02/2022	Faster Payment	Company D	£10.00
44	04/02/2022	Faster Payment	Company D	£750.00
45	04/02/2022	Faster Payment	Company D	£10.00
Credit	07/02/2022			-£3,708.61
Credit	09/02/2022			-£1,178.06
46	09/02/2022	Faster Payment	Company D	£1,000.00
47	11/02/2022	Faster Payment	Company D	£3,000.00
Credit	26/02/2022			-£1,072.60
Credit	28/02/2022			-£2,790.40
48	28/02/2022	Faster Payment	Company D	£760.00
49	28/02/2022	Faster Payment	Company D	£10.00
50	02/03/2022	Faster Payment	Company D	£1,515.00
51	02/03/2022	Faster Payment	Company D	£15.00
52	06/03/2022	Faster Payment	Company D	£1,000.00
Credit	08/03/2022			-£1,459.16
53	09/03/2022	Faster Payment	Company D	£2,000.00
54	11/03/2022	Faster Payment	Company D	£1,600.00
Credit	12/03/2022			-£124.22

55	13/03/2022	Faster Payment	Company D	£775.00
56	14/03/2022	Faster Payment	Company D	£11.00
57	14/03/2022	Faster Payment	Company D	£150.00
58	15/03/2022	Faster Payment	Company D	£3,000.00
59	15/03/2022	Faster Payment	Company D	£15.00
60	15/03/2022	Faster Payment	Company D	£141.00
61	28/03/2022	Faster Payment	Company D	£1,370.00
62	28/03/2022	Faster Payment	Company D	£30.00
63	31/03/2022	Faster Payment	Company D	£440.00
Credit	03/04/2022			-£579.57
Credit	05/04/2022			-£6,323.26
64	05/04/2022	Faster Payment	Company D	£2,040.00
65	14/04/2022	Faster Payment	Company D	£950.00
Credit	14/04/2022			-£1,716.49
66	25/04/2022	Faster Payment	Company D	£3,000.00
67	25/04/2022	Faster Payment	Company D	£25.00
68	03/05/2022	Faster Payment	Company D	£880.00
Credit	11/05/2022			-£1,085.33
Credit	24/05/2022			-£380.27
Credit	04/09/2022			-£193.90
69	13/04/2023	Faster Payment	Company D	£1,210.00
70	14/04/2023	Faster Payment	Company D	£8.00
71	14/04/2023	Faster Payment	Company D	£100.00
Credit	14/04/2023			-£55.00

As Mr M was dissatisfied with Lloyds' response, he brought his complaint to our service. But our investigator didn't think it was fair and reasonable for Lloyds to provide him with a refund of his loss. In his reasoning our investigator pointed out what he considered to be untruthful and contradictory answers from Mr M including not mentioning he received returns.

As Mr M remains dissatisfied his complaint has been passed to me to consider.

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, although I'm very sorry to hear that Mr M has lost a significant amount of money here, I'm not upholding his complaint. And I'll explain why.

I should first say that:

- My role is to independently evaluate the evidence provided by both parties. So, where evidence is incomplete, inconsistent or contradictory, as some of it is here, I must reach my decision on the balance of probabilities – in other words, what I consider most likely to have happened in light of the available evidence and wider circumstances.
- Although Lloyds is a signatory of the CRM Code which requires firms to reimburse customers who have been the victim of a scam in most circumstances, I'm satisfied

this code doesn't apply here. This is because the CRM Code doesn't apply to card payments and for faster payments it sets out the following:

- Under 'DS1(2) (a)' the scope of what the CRM Code covers in relation to authorised push payment ("APP") fraud in instances where: "(i)The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent."

So, as the faster payments Mr M made from his Lloyds account went to accounts in his own name unfortunately they aren't covered by or within the scope of the CRM Code. This is because Mr M wasn't paying 'another person'.

I first looked at the Payment Services Regulations 2017 (PSR).

Under the PSR and in accordance with general banking terms and conditions, banks should execute an authorised payment instruction without undue delay. The starting position is that liability for an authorised payment rests with the payer, even where they are duped into making that payment. There's no dispute that Mr M made the payments here, so they are considered authorised.

However, in accordance with the law, regulations and good industry practice, a bank should be on the look-out for and protect its customers against the risk of fraud and scams so far as is reasonably possible. If it fails to act on information which ought reasonably to alert a prudent banker to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result.

Banks do have to strike a balance between the extent to which they intervene in payments to try and prevent fraud and/or financial harm, against the risk of unnecessarily inconveniencing or delaying legitimate transactions.

So, I consider Lloyds should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks such as anti-money laundering and preventing fraud and scams.
- Have systems in place to look 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 make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

With the above in mind, I looked closely at the file, and I found that Lloyds did put several different interventions in place. As Mr M says they were neither sufficiently clear nor impactful, I looked closely at the effectiveness of each intervention.

Intervention number one (automated)

The first intervention on payment 7, for £3,650 on 14 October 2021, was automated rather than with a fraud and scam agent and I'm satisfied this was proportionate and the correct intervention trigger point. This is because:

- The previous six payments were all very small amounts (all under £21).
- Although cryptocurrency transactions carry a higher risk and aren't a regulated activity, it isn't unusual for consumers to use or invest in cryptocurrency and it is common for them to use crypto exchange companies. So, I wouldn't expect a

financial firm to intervene for relatively small payments, in line with normal spending patterns, where they've identified they are going to a cryptocurrency account / firm.

Lloyds have explained their fraud and scam prevention system automatically triggers an intervention for cryptocurrency payments where the amount is more than £250 and I think this is reasonable.

I'm satisfied Lloyds issued an automated warning. However, the exact warning was dependent on Mr M giving a reason and, due to the passage of time, Lloyds no longer retain information on what Mr M said and what warning they gave him. So, I'm unable to confirm that this related to investment scams. However, as the company type appears to be part of the warning trigger, I think it more likely than not that Mr M received a warning about cryptocurrency.

Intervention number two (human)

After the automated intervention at payment 7, Mr M made more payments (payments 8 and 9 to company D totalling £3,700) and Lloyds' system blocked payment 10 on 22 October 2021 for £4,800. This is because there had been three of four recent high value payment totalling £12,400.

Although Mr M had previously made consecutive payments for similar large amounts, as these were to a crypto exchange, I think this was a proportionate trigger point for a fraud and scam agent to probe what he was doing and check he wasn't at risk of financial harm.

Although I think the agent could've probed further and didn't ask Mr M for details of his investment and therefore didn't get to give the following FCA March 2021 warning which included the following:

- *'This firm may be providing or promoting financial services or products without our permission. You should avoid dealing with this firm and beware of scams.'*
- *'It's unlikely you'd get your money back if the firm goes out of business.'*

I found he communicated:

- Crypto investments were very high risk.
- They were seeing a lot of fraud heading to crypto platforms.
- There was an FCA warning about these very high-risk crypto investments and that Mr M should be prepared to lose all of his money.
- That scammers are very convincing encouraging customers to invest.
- Scammers' investment stories are very believable and the scam can take a long time to materialise.

The reason Lloyds' agent lifted the block and didn't probe for more information was because of Mr M's answers to the following important questions:

- Whether he had an investment manager and if anyone was encouraging him to invest, to which he said no and made a point of saying *'all me'*. Yet as detailed in the above 'what happened' section, this wasn't the case.
- Whether he had any experience of investing in crypto, to which he said he had and spoke about how he used reputable crypto exchanges. Yet in his complaint he says he was inexperienced and has given this as the reason that Lloyds should've considered him as a vulnerable customer.

By giving incorrect answers to these important questions, Mr M stopped further questions and led the Lloyds agent to think the risk was much lower than it in fact was.

It's unclear why Mr M wasn't truthful to Lloyds. I can't see that he was encouraged to be untruthful, however if he was, Lloyds' agent made a point of saying scammers encourage customers to lie to them which prevents them being able to protect them. Considering Mr M's comments about how much profit he thought he was going to make from the investment, I think it more likely than not that he didn't want them to block his payments and prevent him from making high profits.

Even if the Lloyds' agent probed more, I think it more likely than not that Mr M wouldn't have mentioned how he had heard of Company H and his contacts and meetings with them and given him the background. So, I don't think the agent would've been able to highlight the Company H FCA warning to Mr M.

However, regarding the FCA warning, a basic search would've highlighted the important this warning. I think it more likely than not that Mr M had seen this and disregarded it. This is because he says he '*searched the internet*' and '*there was no warnings on the FCA website also at the time*'.

In 2021, Lloyds wouldn't have known Company H was definitely a scam but, if Mr M had been truthful, the agent would've told him there was a high possibility of it being so which he indirectly did.

So, having considered this human intervention, which I think was at the right point, even though Mr M hadn't yet been paid any dividends (the first came three days after this intervention call) I think he prevented Lloyds from protecting him.

Intervention numbers 3 to 7 (automated)

Thereafter Lloyds put in place five automated interventions on the following dates / points as this is their procedure where large payments exceed £5,000:

- 2 November 2021 – payment 16
- 3 November 2021 – payment 17 and 19
- 18 January 2022 – payment 31
- 25 January 2022 – payment 36

These further automated interventions consisted of:

- A bold red exclamation mark.
- The following message asking Mr M to '*proceed or cancel*':
 - '*Be sure that you know who you're sending money to. Please check the account details with a trusted source. Fraudsters prevent persuasive reasons to get you to make a payment. See all of the latest scams fraudsters use on our fraud hub page. Failure to take precautions before you make your payment could mean we are not able to get your money back in the event of fraud*'.

Whilst I appreciate Mr M's payments were now established, I considered, due to the velocity of payments and high amount (exceeding £5000) whether Lloyds should've put in place a further human intervention on 3 November 2021 when he paid £23,900 in four payments in one day including one for £10,000 and on 18 January 2022 when he made two payments totalling £10,000.

Although I think they should've, I'm not persuaded Mr M would've been any more truthful with Lloyds at these points in time. And by the time he was making the January payments he had received significant dividend payments that, I think would've more likely than not have further deterred him from being open and honest with Lloyds and therefore limited their ability to protect his funds.

So, having considered the above, I'm satisfied Lloyds did put in place proportionate interventions to protect Mr M from financial harm. Although I think that Lloyds' intervention at payment 10 should've been better and further human intervention should've occurred, I think it more likely than not that Mr M would've continued not to be truthful with them and they wouldn't have been able to unravel the scam and prevent his loss.

I'm sorry to disappoint Mr M but although I recognise he has been the victim of a cruel scam and I'm very sorry he lost this money, for the reasons I've explained, I don't think it would be fair and reasonable to ask Lloyds to make a refund here or pay compensation.

My final decision

For the reasons mentioned above, my final decision is that I'm not upholding this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 September 2025.

Paul Douglas
Ombudsman