

THE COMPLAINT

Ms O holds/held an account with Lloyds Bank PLC ("Lloyds").

Ms O's complaint is about Lloyds's refusal to reimburse her money she says she lost due to a scam.

Ms O is represented by Refundee Limited in this matter. However, where appropriate, I will refer to Ms O solely in this decision for ease of reading.

WHAT HAPPENED

The circumstances of this complaint are well known to all parties concerned, so I will not repeat them again here in detail. However, I will provide an overview.

Ms O says she has fallen victim to a cryptocurrency related investment scam. She says a scammer deceived her into making payments to what she thought was a legitimate investment. The payments in question are:

| Payment Number | Statement Date | Beneficiary / Merchant | Method | Amount |
|-----------------------|-----------------------|-------------------------------|---------------|---------------|
| 1 | 05 July 2023 | Binance | Card | £50 |
| 2 | 05 July 2023 | Binance | Card | £400 |
| 3 | 02 August 2023 | Binance | Card | £50 |
| 4 | 02 August 2023 | Bigness | Transfer | £200 |
| 5 | 03 August 2023 | Binance | Card | £110 |
| 6 | 07 August 2023 | Binance | Card | £520 |
| 7 | 07 August 2023 | Binance | Card | £610 |
| 8 | 07 August 2023 | Binance | Card | £2,120 |
| 9 | 14 August 2023 | Chaos OTC | Transfer | £1,000 |

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|----|----------------|---------------|----------|--------|
| 10 | 29 August 2023 | Noble Trading | Transfer | £7,500 |
|----|----------------|---------------|----------|--------|

Ms O disputed the above with Lloyds. When Lloyds refused to reimburse Ms O, she raised a complaint, which she also referred to our Service.

Two of our Service's investigators considered Ms O's complaint and did not uphold it. Refundee, on behalf of Ms O, did not accept this. Consequently, this matter has been passed to me to make a decision.

WHAT I HAVE 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 find that the investigator at first instance was right to reach the conclusion they did. This is for reasons I set out in this decision.

I would like to say at the outset that I have summarised this complaint in far less detail than the parties involved. I want to stress that no discourtesy is intended by this. If there is a submission I have not addressed, it is not because I have ignored the point. It is simply because my findings focus on what I consider to be the central issues in this complaint.

Further, under section 225 of the Financial Services and Markets Act 2000, I am required to resolve complaints quickly and with minimum formality.

Contingent Reimbursement Model (CRM) code

According to Refundee's submissions, the funds concerned from Ms O's Lloyds account went to accounts in her name – as well as some of the transactions being card payments. For these reasons, Ms O's payments are not covered by the CRM code.

Despite Refundee being asked for further information about the payee in Payment 4, this has not been provided.

Regulatory framework

The regulations which apply in this matter are the Payment Services Regulations 2017 ("the PSRs").

Should Lloyds have recognised that Ms O was at risk of financial harm from fraud?

It is not in dispute that Ms O authorised the payment transactions in this matter. Generally, consumers are liable for payment transactions they have authorised. However, that is not the end of the story. This is because even if a payment is authorised, there are regulatory requirements and good industry practice which suggest firms/banks – such as Lloyds – should be on the look-out for unusual and out of character transactions to protect their customers from financial harm. And, if such payment transactions do arise, firms should intervene before processing them. That said, firms need to strike a balance between intervening in a customer's payment to protect them from financial harm, against the risk of unnecessarily inconveniencing or delaying a customer's legitimate transactions.

I have borne the above in mind when considering the payment transactions in this matter.

Payments 1 to 8

I am not persuaded that Payments 1 to 8 were that unusual or out of character. I acknowledge that they were cryptocurrency related in nature. However, I have weighed this against the values of Payments 1 to 8; and the fact Ms O had made several payments to Binance before Payments 1 to 8 – meaning, as a payee, Binance would have become established on Ms O's account, alleviating any concerns about payments being made to them.

For these reasons, I would not have expected Payments 1 to 8 to have triggered Lloyds's fraud detection systems.

I can see that Lloyds intervened in Payments 9 and 10. Ms O spoke to Lloyds over the telephone about these transactions on 13 August and 24 August 2023. I deal with these calls below.

Were Lloyds's interventions in Payments 9 and 10 proportionate?

Payment 9 (13 August 2023 call)

I do not take the view that Lloyds's intervention over the telephone regarding Payment 9 was proportionate. I say this primarily because during the call, Ms O informed the Lloyds's adviser that she wanted to make Payment 9 to buy electrical equipment – that is, a laptop. However, as far as I can tell, the transaction should have appeared to the adviser as cryptocurrency in nature. And even if it did not, I would have expected the adviser to have asked Ms O some probing questions about her supposed purchase. Whilst I acknowledge the adviser provided some scam warnings – I still take the view that the adviser should have gone further in his questioning. That said, I am not satisfied this is a case where Lloyds, contrary to Ms O's instructions, should have refused to put Payment 9 through.

Although I am satisfied that Lloyds should have gone further its intervention, I still must consider whether this would have made a difference in the circumstances. Having done so, I am not persuaded it would have. I have reached this conclusion because of how Ms O responded to Lloyds's intervention in Payment 10. I have relied on this as an indication as to how Ms O would have likely responded if Lloyds had gone further in its intervention in Payment 9. I have also taken into account Ms O's relationship with the scammer and her general view of the scam at the time. I deal with these points in the below sections.

Payment 10 (24 August 2023 call)

During this call, Ms O told the adviser that Payment 10 was for a crypto investment. Consequently, the Lloyds adviser provided Ms O with a scam warning:

"The other scam we are seeing is one of these crypto investment scams where our customers will be contacted by these fraudsters who are claiming to be online brokers, financial advisers or traders who will tell you that if you want to make a lot of money with a very high unrealistic return rate they will guide you through the process of investing in crypto. Now these people you will never meet face-to-face you will only talk to them via email or social media. Once you make the first payment they will tell you that you've doubled your money, you've tripled your money, you've quadrupled your money – until you eventually decide that you want to withdraw the funds and they will tell you that you need to pay solicitors' fees, transaction fees and God only knows what fees. And eventually contact will cut once there is no money left and unfortunately then it will become a reality to the customer that they have fallen victim to an investment slash crypto scam. So, sometimes these people will ask you to download software onto your device like AnyDesk,

QuickSupport or TeamViewer, which is remote access software which gives these people access to your device from another location. So does any of this information that I've made you aware of give you any cause for concern about the transfer you are trying to complete?"

Ms O responded stating:

"No, I don't have any concerns about this, you know because everything I download by myself, I haven't been contacted by any of those kinds of authorities in regards of this trading, so yeah and I'm doing everything by myself ... and I haven't used AnyDesk you know, this is like my own trading at the moment."

The adviser then asked, "So, nobody else is guiding you through this?". Ms O responded, "No, no, not this transaction, no."

Ms O misled the Lloyds adviser in response to the warning he gave. She stated that no one was guiding her and that she was doing everything of her own accord. However, Refundee's submissions to our Service and Ms O's WhatsApp messages with the scammer suggest otherwise.

I find that the warning the Lloyds adviser provided Ms O was clear, robust and highlighted many features of the scam Ms O was falling victim to. For example, Ms O had never met the scammer face-to-face, the scammer informed Ms O that she could make a lot of money, and Ms O was asked to make payment before she could withdraw her funds. Despite being warned about these things by the Lloyds adviser, Ms O decided to go ahead with Payment 10 regardless.

Refundee submits, amongst other things, that the fact Ms O took out a £7,500 loan to fund an 'investment' should have been a red flag to the Lloyds adviser during the call. I do not agree with this point. I say this because of the answers Ms O provided the adviser in responses to his questions. Further, whilst taking out a loan to fund an investment can be a potential hallmark of a scam – the adviser did question Ms O about this. In my view, Ms O responded confidently and acknowledged the risks involved in terms of using the proceeds of a loan to fund an investment. Ms O also said she had been advised by friends and confirmed that she had invested in cryptocurrency previously.

I acknowledge Refundee's position is that the adviser could have gone further in the intervention by, for example, asking about the end destination of Payment 10. However, when taking a step back and assessing the adviser's warnings as a whole: I consider them to be very good. To my mind, the warnings were robust and covered many elements of the scam Ms O was falling victim to at the time; warnings she did not heed. Further, I find that the adviser asked probing questions, which Ms O responded to with misleading answers.

For these reasons, I find that the intervention in Payment 10 was proportionate to the risk identified.

Finally, I note Refundee contend that Lloyds should have engaged the Banking Protocol requesting that Ms O go into branch. I am not persuaded that there were sufficient aggravating factors surrounding Payment 10 to warrant this, or that contrary to Ms O's instructions, Lloyds should have refused to put Payment 10 through.

If Lloyds had intervened in the way described (above), would that have prevented the losses Ms O suffered from Payment 9?

I accept that Lloyds should have gone further in its intervention in Payment 9. To my mind, this intervention should have been similar to the intervention that occurred for Payment 10.

However, even if Lloyds had carried this out, I am not persuaded it would have made a difference in the circumstances. I take the view that, on the balance of probabilities, Ms O would have responded to such an intervention in the same way she did to Lloyds's intervention for Payment 10. I have not seen anything persuasive to suggest otherwise.

To reach this conclusion I have taken the following into account:

- I have considered the WhatsApp messages exchanged between Ms O and the scammer. By the time of Payment 9, Ms O had not only developed a trusting relationship with the scammer, but a romantic one – declaring her love for the scammer on several occasions. So, I am persuaded that Ms O was very much under the spell of scammer at the time.
- The WhatsApp messages show that Ms O discussed both interventions with the scammer. The scammer told Ms O what to say to Lloyds, for example: *“Yes inform them you are buying something online and you need to process it.”* Ms O did not question the scammer about this – supporting the proposition that Ms O was really taken in by the scammer.
- In the WhatsApp messages, the scammer suggests to Ms O a reason to provide Lloyds regarding an attempted payment on 24 August 2023. In response to the scammer, Ms O says, *“I can't say that. They are not stupid, they can see that this is company which are saling crypto currency.”* Ms O and the scammer then discussed what to say to Lloyds about the payment. This shows just how determined Ms O was to get her payment over the line.

I acknowledge that Payment 9 occurred post the FCA's Consumer Duty. I also acknowledge that Lloyds's adviser should have questioned Ms O further. However, when taking the above points as a whole, I am persuaded that had Lloyds gone further in its intervention in Payment 9, Ms O would have likely frustrated this – thereby alleviating any concerns Lloyds had about the transaction. That is, I think Ms O would have gone ahead with Payment 9 regardless – and likely would have sought guidance from the scammer if necessary. The above points suggest that Ms O was very much under the spell of the scammer and was prepared to mislead Lloyds to make her payment.

Recovery of funds

I have considered whether Lloyds acted appropriately to try to recover Ms O's funds once the fraud was reported.

Payment transfers

According to Refundee, Ms O's payment transfers were made from her Lloyds account to accounts in her name. Thereafter, those funds were either moved directly to the fraudsters, or, if not – Ms O should be able to withdraw them from her accounts. Further or alternatively, as Ms O's payments were made to purchase cryptocurrency – which would have been forwarded on in this form – there would not have been any funds to recover.

Further or alternatively, the likelihood that even if prompt action had been taken by Lloyds on or immediately after the fraud was reported, any of Ms O's money would have been successfully reclaimed seems slim. I say this because of the time that had elapsed between Ms O's last payment (August 2023) and when Ms O reported the scam (November 2023). In these types of scams, fraudsters tend to withdraw/transfer out their ill-gotten gains immediately to prevent recovery.

So, I am satisfied that it is unlikely Lloyds could have done anything to recover Ms O's payment transfers.

Despite Refundee being asked for further information about the payee in Payment 4, this has not been provided.

Card payments (chargeback)

Chargeback is an entirely voluntary scheme, which means firms are under no formal obligation to raise a chargeback claim. The relevant scheme operator can arbitrate on a dispute between a merchant and customer if it cannot be resolved between them. However, such an arbitration is subject to the rules of the relevant scheme – so there are limited grounds on which a chargeback can succeed.

The service of purchasing cryptocurrency/exchanging funds into cryptocurrency – is not covered under the chargeback scheme concerned in this matter. This is because the exchanges in question provided their services as intended. This also applies to any payment processor involved, as they would have carried out their services as intended when transferring funds.

For these reasons, I find that any chargeback claim in this matter had little chance of success under the relevant chargeback scheme. It follows that I would not have expected Lloyds to raise one on behalf of Ms O at the time.

Vulnerabilities

Refundee says that Ms O was vulnerable at the time of the scam:

“Our client was feeling extremely lonely and vulnerable at the time of this socially engineered romance cryptocurrency scam as their Mother had passed away recently leaving them grieving and exposed to the scammers. English is also our clients second language making them more vulnerable to these types of scams.”

I have not seen anything to suggest Lloyds knew or ought to have known about Ms O's personal issues at the time. Further or alternatively, I am not persuaded Ms O's circumstances would amount to her being considered as vulnerable. For these reasons, I do not find that Lloyds should have dealt with Ms O's payments any differently in this regard.

Compensation for distress and/or inconvenience

I have considered whether an award for distress and/or inconvenience is warranted in this matter. I can see that there was some delay in Lloyds issuing its final response to Ms O, which it has apologised for. Other than this, I have not found any errors in Lloyd's investigation. Any distress and/or inconvenience Ms O has suffered is a result of the scammer's actions – not Lloyds's.

Conclusion

Taking all the above points together, I do not find that Lloyds has done anything wrong in the circumstances of this complaint. Therefore, I will not be directing Lloyds to do anything further.

In my judgment, this is a fair and reasonable outcome in the circumstances of this complaint.

MY FINAL DECISION

For the reasons set out above, my final decision is that I do not uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O to accept or reject my decision before 16 July 2025.

Tony Massiah
Ombudsman