

The complaint

B, a limited company, complains that Lloyds Bank Plc won't reimburse them for funds they lost when they were defrauded.

What happened

The facts of this case are well known to both parties, and largely not in dispute. So, I will cover them off only briefly here.

In July 2024 B received a call from someone claiming to be from Lloyds. Over the course of the call, they were persuaded that their account was in danger from fraudsters, and they needed to take steps to protect their funds. They were directed to download software and allow remote access. B agreed to this and logged in using the PIN sentry system.

However, B later grew suspicious and discovered that the caller had made payments from their accounts, and they had lost £144,400. Lloyds had prevented three further transactions from leaving the account and restricted the online access. £4,500 was later recovered.

B complained to Lloyds, saying they should have done more to prevent their losses. Lloyds didn't feel they'd done anything wrong, and said it was B's responsibility to protect their account. It declined to refund the remaining losses.

Dissatisfied with this B referred their complaint to our service. One of our investigators looked into what happened. He was satisfied that the payments were unauthorised, but as B was a small business the terms of the account allowed Lloyds to hold them liable for the losses. But he felt Lloyds could have noticed that the account activity was unusual and out of character and done more to confirm the instructions were genuine before processing them. He thought Lloyds should refund B everything after the initial transaction.

This was accepted by B, but Lloyds disagreed. They felt B should bear some responsibility for the losses. They offered to pay 50% of the outstanding losses after the first transaction. The investigator didn't think this was fair but accepted that B had played a part in their losses. He then suggested Lloyds refund 75% of the losses after the first transaction.

B did not agree with this. As no agreement could be reached the complaint 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've taken on board all parties arguments in deciding what's fair and reasonable here. But if I haven't mentioned something in particular, it's because I don't see that I need to to reach a fair and reasonable outcome.

Were the payments authorised correctly?

There's no dispute that the payments out of B's account were made by the fraudster. The relevant regulations to payments, the Payment Services Regulations 2017 (PSRs) broadly say that payments that unauthorised payments should be refunded by the bank at the earliest opportunity – subject to certain caveats.

But the PSRs also say that certain customers of the bank who aren't personal consumers, micro-enterprises and charities may agree to set aside certain provisions of the PSRs. Usually this is then outlined in the terms of the account. Relevant here is the definition of a micro-enterprise – a business with assets and turnover below €2million, and fewer than 10 employees. But for the relevant accounting period before the fraud B, and linked businesses, had over 10 full-time employees – so I'm satisfied it wouldn't have met the definition of a micro-enterprise.

As such Lloyds can vary the provisions in the PSRs, and indeed terms say that *"you will be liable for unauthorised transaction if you or a User has acted fraudulently or has, with intent or gross negligence, failed to take reasonable steps to keep safe any of the Password information and/or the Security Device"*.

There's no suggestion B have behaved fraudulently or deliberately allowed the fraudster to make payments on their behalf. So, the key question is whether B were grossly negligent with their password information or security device.

Now, I can't say for sure what was discussed between the fraudster and B. I have considered carefully what B has told us was discussed. I note that B didn't take reasonable steps to verify the caller. I appreciate that the fraudster will have created a high-pressure situation, but I see that they could have taken reasonable steps to verify what they were being told.

B had a relationship manager with Lloyds, and it would have been reasonable to attempt to contact them. Especially once they began to receive text messages confirming new payees being added to the account.

The terms of the account explain that Lloyds will *"never telephone, text or email you and ask you for your user ID, Password Information or the details from your security device"*. The technical evidence supports that two PIN sentry devices were used to access the online banking, when it's likely the fraudster was connected with remote access software. And it seems likely to me that the PIN sentry device would have been needed to authenticate the payment requests. I appreciate that B say they didn't share any codes from the PIN sentry, but I can't see a rational or likely way that the payments could be proceeded without this happening.

Overall, I'm persuaded that B likely did fail to keep their password information secure with gross negligence. It followed therefore that I'm satisfied that the terms of the account allow Lloyds to hold B responsible for them.

I've gone on to consider what's fair and reasonable in all circumstances of the complaint.

Could Lloyds have done more to keep B's account safe?

Lloyds have obligations to monitor accounts for signs of financial harm – such as fraud, misappropriation of funds and money laundering. If a payment, or series of payments, looks particularly unusual or out of place it's reasonable to expect Lloyds to intervene and ask their customer to confirm the legitimacy of the payment instruction.

Here as B seems to have been genuinely unaware of the payments, it follows that any reasonable level of intervention would have prevented any further loss. And indeed, we know here that Lloyds did eventually block transactions on the account. I have to decide whether Lloyds ought reasonably to have intervened earlier.

The first payment was an international payment to a new payee of £39,000. Having reviewed the account history, I don't see that this amount was significantly different from the usual operation of the account. So, I'm not minded that Lloyds ought to reasonably have done more to question this transaction.

However, the second payment is another international payment for £39,000, to a different new payee. This was only a minute after the first. So, I see that this represents a significant change to the usual operation of the account. I see that it would have been reasonable for Lloyds to decline this payment instruction until they had spoken to someone from B. And as explained above it follows that this would have very likely prevented any further losses.

Lloyds also seem to have detected the use of remote access software. I accept though that this isn't enough in itself to block transactions – there are many legitimate reasons a business may be using remote access software. But I think coupled with the change to the account operation, it should have caused some concern at Lloyds, and it would have been appropriate to establish with B what was happening.

Taking this in to account I'm satisfied with would be reasonable for Lloyds to have some responsibility for refunding B from the second payment onwards.

What is fair redress?

Having considered the events here, I've found that B has been negligent in allowing their accounts to be accessed by the fraudster. And I've also found that Lloyds ought reasonably to have intervened earlier to prevent losses to B. So, it's right that both parties accept some responsibility here.

The investigator thought that the failings by Lloyds were more than that by B. I would broadly agree with this point – while B have clearly failed in their obligations to keep their security details safe, I think that Lloyds should reasonably have intervened much earlier than they did. As such I see that asking Lloyds to refund 75% of the remaining losses is reasonable, and in line with how I feel the responsibility ought to be apportioned.

Putting things right

I see that to resolve this complaint Lloyds should:

- Refund 75% of the outstanding losses after the first transaction. I make this to be £75,675.
- Add 8% simple interest to this amount from the date of payment to the date of settlement.

My final decision

My final decision is that I uphold this complaint and direct Lloyds Bank Plc to settle it as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 18 August 2025.

Thom Bennett
Ombudsman