

The complaint

Miss D complains that Lloyds Bank PLC ('Lloyds') won't refund the money she lost as the result of a scam.

What happened

The background to this complaint isn't in dispute, so I won't go into detail. But this is what I understand to have happened.

Miss D found an investment on a messaging app. Miss D says she doesn't know what returns were promised, but after making the third payment she started receiving pressure and threats from the scammer.

Miss D says her family were threatened with physical harm if she didn't continue making payments. As part of the scam and under duress, Miss D made payments from her Lloyds account, took out a loan with Lloyds, signed up for new phone contracts and gave her card and PIN to the scammer.

These are the payments Miss D made from her Lloyds account.

Date	Pmt	Details of transaction	Amount
20.5.2023	1	Transfer to I	£500
22.5.2023	2	Transfer to F	£500
22.5.2023	3	Transfer to F	£480
22.5.2023	4	Transfer to F	£460
23.5.2023		<i>Loan credited to Miss D's account</i>	<i>£20,000 cr</i>
23.5.2023	5	Transfer to I	£500
23.5.2023	6	Transfer to F	£400
24.5.2023	7	Transfer to F	£500
24.5.2023	8	Transfer to I	£500
25.5.2023	9	Transfer to I	£500
25.5.2023	10	Transfer to F	£500
26.5.2023	11	Transfer to F	£500
26.5.2023	12	Transfer to I	£500
26.5.2023	13	Transfer to F	£100
27.5.2023	14	Transfer to I	£500
27.5.2023	15	Transfer to F	£500
28.5.2023	16	Transfer to I	£500
28.5.2023	17	Transfer to F	£460
29.5.2023	18	Transfer to I	£500
29.5.2023	19	Transfer to F	£500
29.5.2023	20	Transfer to I	£300
30.5.2023	21	Transfer to I	£500
30.5.2023	22	Transfer to F	£500
30.5.2023	23	Transfer to I	£250
31.5.2023	24	Transfer to F	£500

31.5.2023	25	Transfer to I	£500
31.5.2023	26	Transfer to I	£350
1.6.2023	27	Transfer to F	£500
1.6.2023	28	Transfer to F	£300
2.6.2023	29	Transfer to F	£500
2.6.2023	30	Transfer to F	£290
3.6.2023	31	Transfer to F	£600
3.6.2023	32	Transfer to F	£400
4.6.2023	33	Transfer to F	£500
4.6.2023	34	Transfer to F	£400
5.6.2023	35	Transfer to F	£500
6.6.2023	36	Transfer to F	£750
6.6.2023	37	Transfer to F	£250
7.6.2023	38	Transfer to F	£850
7.6.2023	39	Transfer to F	£250
9.6.2023	40	Transfer to F	£900
9.6.2023	41	Transfer to F	£500
12.6.2023	42	Transfer to F	£500
12.6.2023	43	Transfer to F	£960
12.6.2023	44	Transfer to F	£900
29.6.2023	45	Transfer to F	£1,000
29.6.2023	46	Transfer to M	£900
3.7.2023	47	Cash withdrawal made in branch	£4,500

In 2024, Miss D raised a fraud claim with Lloyds, asking that they refund her.

Lloyds investigated Miss D's claim and refunded her 50% of the payments she made (excluding the cash withdrawal) and paid her £50 compensation. Lloyds said they didn't log Miss D's fraud claim straight away, so they had refunded her 50%. The £50 compensation was for giving Miss D conflicting information by incorrectly saying the funds paid into her account were recovered from the beneficiary account.

Miss D wasn't happy with Lloyds' response, so she brought a complaint to our service.

An investigator looked into Miss D's complaint but didn't uphold it. In their view, the investigator said:

- Miss D's concerns regarding the loan she took out with Lloyds is being dealt with under a different complaint.
- Miss D says she was threatened into making the payments, after payment three, so those payments aren't covered by the Contingent Reimbursement Model (CRM Code), which only applies to payments made for a legitimate purpose.
- Lloyds intervened on payments one and three, but Miss D wasn't honest about the reason for the payments. So, if Lloyds had intervened on any other payments, it's unlikely the scam would've been uncovered.
- It's unclear what happened with the funds obtained by the cash withdrawal and whether the funds were given to the scammer. So, the investigator couldn't fairly ask Lloyds to refund it.
- Lloyds had already refunded more than the investigator would've recommended in the circumstances.
- Lloyds couldn't have recovered Miss D's funds even if they had acted sooner.

- The £50 compensation for Miss D being given conflicting information was fair.

Miss D disagreed with the investigator's view and raised the following points:

- She raised points in relation to the separate complaint about the loan taken out with Lloyds.
- Both of Miss D's complaints should be considered in tandem.
- Neither complaint has been investigated properly.

As the case couldn't be resolved informally, it was passed to me to review.

Having reviewed the case, I've reached the same overall outcome as the investigator. But I reached it for slightly different reasons. So, I issued a provisional decision giving both parties a chance to respond before I issued a final decision.

My provisional decision

In my provisional decision I said:

I'm really sorry to hear about the serious impact the loss of these funds has had on Miss D. I also appreciate that it would've been extremely distressing for Miss D and her family to be threatened with physical violence. But, having carefully considered the evidence, I've reached the same overall answer as the investigator. I'll explain why.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

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

The loan Miss D took out with Lloyds

Miss D's complaint about whether Lloyds should've approved the loan she took out as part of the scam, is being dealt with under a separate complaint. So, I won't comment on that element of Miss D's complaint.

However, I am aware of that complaint and have taken into account the crediting of the loan funds to Miss D account in order for her to make the payments, which form this complaint.

Is Miss D entitled to a refund under the CRM Code for payments one to three?

Lloyds have signed up to the CRM Code, which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams, in all but a limited number of circumstances. But it doesn't cover card payments or cash withdrawals.

Also, the CRM Code defines what is considered an APP scam as, “where the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent”.

As Miss D says she was threatened into making the payments, after payment three, I’m not satisfied that she made the payments for a legitimate purpose which turned out to be fraudulent. If she had made the payments as part of an investment, which later turned out to be a scam, this would be a legitimate purpose that turned out to be fraudulent. But, making payments under duress or threats, means the payment purpose wasn’t legitimate.

So, the CRM Code can only be applied to the first three payments.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that an exception applies. In this case Lloyds say Miss D made the payment without having a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

I agree that Lloyds can rely on this exception to reimbursement because Miss D didn’t complete any checks on the investment prior to making the payments. She didn’t do any checks on A (who were the company offering the investment), or on the payees and what links they had with the investment. So, I’m not satisfied that Miss D had a reasonable basis for believing the investment was legitimate. And, Lloyds can rely on an exception to reimbursement for payments one to three.

Also, based on the size of the payments, I’m not satisfied that Lloyds were required to provide an effective warning under the CRM Code. So, Miss D isn’t entitled to a refund under the CRM Code for payments one to three.

Should Lloyds have prevented Miss D’s loss at the time the payments were made?

There is an expectation for Lloyds to be on the lookout for, and to protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. Where potential fraud is identified, I would expect Lloyds to intervene and attempt to prevent losses for the customer.

Lloyds intervened on payments one and three when Miss D set up new payees. These payments generated a warning and Miss D had to call Lloyds to release the payments. On both of these calls, Miss D told Lloyds that she was making the payments to a friend who was attending a family event. Miss D said the bank details had been given to her face to face and that she knew the person she was making the payments to. Miss D was also asked if the money was a loan, and she said it was a gift and would be used towards the costs of the event.

Based on the size of the payments and the information Miss D gave Lloyds, I’m not satisfied that Lloyds should’ve been concerned or shouldn’t have allowed the payments to go through. There wasn’t anything in the call with Miss D which suggested that she was concerned, she wasn’t being truthful, or that there might be a different purpose for these payments. So, I can’t fairly say Lloyds could’ve prevented the loss on these payments.

I wouldn’t have expected Lloyds to have intervened again until payment 14. I say this because Miss D was using existing payees, and the value of the payments individually wasn’t high. Also, Miss D didn’t do any more than three payments on any one day, so there wasn’t a high number of payments made within a short period of time all on the same day.

But, by the time Miss D made payment 14, I think the pattern of payments should've concerned Lloyds. She had transferred over £5,000 in the space of a week, which was significantly more money than Miss D would normally transfer within a month from her account. So, the pattern and activity was unusual and out of character for her account.

In response to concerns about the pattern, I would've expected Lloyds to have called Miss D to discuss the payments. While the reasons Miss D gave for payments one and three were plausible, I'm not satisfied that Lloyds should've accepted the same reasons from payment 14 onwards – based on the number of payments that had been made.

I think it's more likely than not that Lloyds would've been concerned at this point and that Miss D couldn't have provided them with a satisfactory reason for the series of payments. So, I think Miss D's loss could've been prevented from payment 14 onwards.

I realise that Miss D's loan was paid into her account on the 23 May, between payments four and five. But I'm not satisfied that the activity on her account at that point should've concerned Lloyds – so I wouldn't have expected them to have intervened prior to payment 14.

While I'm satisfied that Lloyds should refund Miss D from payment 14, I also need to consider whether Miss D should share liability for her loss with Lloyds.

Should Miss D share liability for her loss with Lloyds?

In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint.

Miss D says that from payment three, she was being pressured into making payments by the scammers and that her family's physical safety was threatened.

However, before Miss D made the first payment, I would've expected a reasonable person to have done some checks on the investment, the company offering the investment, and the payees they were being asked to use and how they were connected with the investment. If Miss D had done reasonable checks, I think it's more likely than not she would've or should've had concerns about the legitimacy of the investment which could've prevented her loss.

On that basis, it would be reasonable for Miss D's refund to be reduced by 50%.

So, my recommendation would've been that Lloyds refund 50% of payments 15 to 47. This would mean a refund of £11,055. As Lloyds has already refunded Miss D more than this, by refunding £11,785, I can't fairly ask Lloyds to refund any more.

Recovery of funds

Lloyds didn't act promptly when Miss D first raised her fraud claim with them. However, even if they had, they couldn't have recovered Miss D's money as it had already been removed from the beneficiary accounts by the time she reported the fraud. In these situations, the funds are usually removed shortly after they credit the beneficiary account.

Compensation

Lloyds have paid Miss D £50 compensation for incorrectly telling her that the credit paid into her account was recovered funds – when it was the 50% refund they had offered.

I appreciate that this would've been confusing for Miss D, but I think £50 is fair taking into account the impact this incorrect information would've had on her.

It's important to explain that compensation doesn't look at the impact the scam had on Miss D, which was caused by the scammers and not Lloyds, or the financial loss that Miss D has experienced. Compensation only looks at Lloyds' actions, whether something has gone wrong and the impact of that error.

I'm really sorry to disappoint Miss D, but I'm not satisfied that I can fairly ask Lloyds to refund any further money.

My provisional decision was that I didn't intend to uphold this complaint.

Responses to my provisional decision

Miss D disagreed with the provisional decision and raised the following point:

- We haven't correctly considered the loan as part of this complaint. Because if the bank should've intervened before the loan was approved, then the interest and costs associated with the loan should be taken into account as part of the redress.

Miss D also raised a number of concerns that relate specifically to the separate complaint about the loan.

Lloyds didn't provide any new evidence or arguments in response to the provisional decision.

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'd like to reassure Miss D that I did take into account the loan complaint and whether intervention on this complaint would've affected the redress in relation to the loan costs, interest and charges. Also, I listened to the call she had with the investigator in response to the provisional decision.

As I explained in my provisional decision, I cannot comment on the separate loan complaint or the issues that were covered as part of that complaint. However, both cases were discussed together to ensure that we took into account any crossover elements that might affect our separate complaints.

I'm really sorry to disappoint Miss D, but having carefully considered the points she's raised, I've reached the same answer as in my provisional decision.

In summary

Lloyds were concerned when Miss D made the first payment and the third payment and called Miss D to discuss them. Miss D gave reasonable explanations as to the purpose of the payments. There was nothing during those calls to suggest that she might've been making the payments under duress, or that she wasn't being honest in the answers she was giving. So, there wasn't anything to suggest to Lloyds that Miss D was the victim of a scam. On that basis, I'm not satisfied that Lloyds should've have followed Miss D's payment instructions or that they should've prevented her loss at that point.

Based on the size of the payments and Miss D using an existing payee, I wouldn't have expected further intervention by Lloyds until payment 14. This was after the loan had already been approved and paid into the account.

A balance has to be struck between banks identifying payments that could be fraudulent and then responding appropriately based on their concerns and ensuring minimal disruption to legitimate payments. The crediting of loan funds into Miss D's account, in and of itself isn't so concerning that I would've expected Lloyds to have intervened.

However, by payment 14, there was a concerning pattern to the payments Miss D was making. So, I would've expected Lloyds to call Miss D again. Had Lloyds asked questions about the payments, I'm satisfied that Lloyds would've been concerned, as the reason Miss D gave for the earlier payments wouldn't have been plausible at that later point. And I'm persuaded that it's more likely than not Lloyds' further intervention at that point could've prevented Miss D's loss. That means I would've recommended that Lloyds refund from payment 14 onwards.

But I also have to take into consideration whether Miss D could've or should've mitigated her loss. And, for the reasons set out above in my provisional decision, I'm satisfied that she should've been concerned about the information she was given about the investment and done more checks before making any payments. This means the refund I would've recommended would've been reduced by 50% with Miss D sharing liability for her loss with Lloyds.

As Lloyds has already refunded Miss D more than I would've recommended, I can't fairly ask Lloyds to refund anything further.

My final decision

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 1 September 2025.

Lisa Lowe
Ombudsman