

The complaint

Miss G is unhappy that Lloyds Bank PLC has not refunded the repayments she made towards a loan she opened with it as part of a scam.

What happened

In June 2024 Miss G fell victim to a bank impersonation scam. As part of this, on 12 June 2024, she was misled by the scammer to believe she needed to complete a loan application for £25,000 that had been started in her name in order to then cancel it. Lloyds approved the application.

Lloyds has subsequently accepted it ought to have intervened in payment 2 of the scam on 12 June 2024 and that this would have prevented Miss G's loss. It refunded her loss of £18,000 - another bank involved in the payment journey had already refunded £7,000 to Miss G. This was the subject of a separate complaint, [REDACTED]

Miss G says the bank ought not have given her the loan for £25,000. It was unaffordable and it was already on notice that she thought she was being scammed.

Our investigator did not find the loan was unaffordable. Miss G disagreed with this assessment and asked for an ombudsman's review.

I made different findings and so issued a provisional decision. An extract follows and forms part of this final decision. I asked both parties to send any comments by 29 July 2025.

Extract from my provisional decision

Much of the investigation on this case to date has been around the checks Lloyds carried out before lending to Miss G, whether they were proportionate and whether Lloyds made a fair decision based on the information it gathered. This is in line with our approach to unaffordable/irresponsible lending complaints as set out on our website.

However, I find this analysis somewhat redundant in the unique circumstances of this complaint. Miss G's outstanding queries are about what happens to the loan payments she has already made and the associated entry on her credit file.

Lloyds advanced the loan funds to Miss G on 12 June 2024, the same date on which it has since accepted it should have intervened in the second payment of the scam, a scam that it would have then prevented.

Logically, this means Miss G would have been aware she had fallen victim to a scam on that date and so been able to cancel the loan immediately. It is only fair and reasonable therefore that Lloyds refunds any interest and charges from the repayments she made. This assumes when she settled the loan with her scam refund(s) the capital she had already repaid was taken into account in the loan settlement figure. Lloyds should share a clear reconciliation with Miss G so she can see that she has been put back into the position she was in before the loan was given. And as she only opened the loan as an integral part of the scam Lloyds

must remove the entry from her credit file.

I then set out what Lloyds would need to do to put things right.

Miss G responded asking what her credit rating would be once this was resolved and could Lloyds send her an updated credit report; would Lloyds be repaying the ten loan repayments she made; and will the penalty charge she incurred for repaying the loan early be refunded?

Lloyds sent some additional information (a loan statement and confirmation of the £250 penalty for early settlement and the early settlement figure) but it did not make any comments on the findings or outcome set out in my 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.

As neither party disagreed with the findings or outcome in my provisional decision, I have no reason to change them.

In response to Miss G's comments, it is not the role of this service to predict how the removal of the loan entry from her credit file will impact her credit score. Nor would we expect Lloyds to do this as the score is based on a number of inputs and calculated by the credit reference agency(ies). I would advise Miss G to wait 90 days then she herself should request a copy of her file. Lloyds cannot do this on her behalf.

With regards her query about the refund of the repayments she made, as I said in the provisional decision Lloyds must ensure Miss G has only repaid the capital she was advanced and all interest and charges – including the £250 penalty for early settlement – are to be refunded. It must share a statement with Miss G so she can see that she has been put back in the position she was in before the loan was given.

To be clear for Miss G, this will not be a full refund of all the repayments she made as they were in part repaying some of the capital amount. It is for this reason it is critical Lloyds provides a clear reconciliation for Miss G so she can understand the refund she receives.

Putting things right

Lloyds must:

- Refund any interest and charges Miss G paid on this loan. Ensure and demonstrate there has been no overpayment of the capital amount.
- Pay 8% simple interest* per year from the date of each part repayment to be refunded to the date of settlement.
- Remove the loan entry from Miss G's credit file.

*HMRC requires Lloyds to deduct any tax from any award of interest. It must give Miss G a certificate showing the deductions if she asks for one.

My final decision

I am upholding Miss G's complaint. Lloyds Bank PLC must put things right as set out above.

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

Rebecca Connelley
Ombudsman