

The complaint

Mr S complains that Lloyds Bank PLC (“Lloyds”) has failed to refund the money that he lost to a scam.

What happened

The details of this complaint are well known to both parties, so I will not repeat everything again here. Instead, I will focus on giving the reasons for my decision. But in summary, Mr S sent over £2,000 via a direct debit to a company purporting to be a publishing agency. Mr S says that the firm was not a publishing agency and was in fact a scammer.

Mr S raised a complaint with Lloyds and requested that Lloyds refund him. Lloyds declined to do this. Whilst the complaint has been with this service it did though agree to pay £100 to reflect the way it communicated with Mr S when he raised his complaint.

One of our investigators looked into this matter and they did not think that Lloyds had done anything wrong. Mr S disagreed and therefore his complaint has been passed to me to issue a 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.

In this decision, I’ll concentrate my comments on what I think is relevant. If I don’t comment on a specific point, it’s not because I’ve failed to consider it, but because I don’t think I need to comment in order to reach a fair and reasonable outcome. Our rules allow me to do this and this reflects the nature of our service as a free and informal alternative to the courts.

Firstly, I should stress that there is not an automatic right for a consumer to receive a refund from Lloyds when they are scammed. For Lloyds to be liable to make a refund, I would need to be satisfied that Lloyds should have intervened during the scam and had it done so, the scam would have been prevented. The other thing I need to consider, is whether Lloyds is liable to refund the money that Mr S lost, based on the rules in place at the time.

In broad terms, the starting position is banks are expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer’s account.

But, taking into account relevant law, regulators’ rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable that Lloyds should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;

- have had systems in place to look out 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 firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multistage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

The obligation to warn customers of the risk of such financial harm will only reasonably have been engaged if there were sufficient grounds for suspecting the payee was a fraudster; meaning that Lloyds could have delayed the payment while concerns about the payee were discussed with Mr S.

I should also add that it is arguable, given the size of the payment, that Lloyds should have intervened at all. We would only expect Lloyds to intervene and discuss a payment if it was unusually large for the account in question or had a pattern commensurate with common scams. In this instance it was a one-off payment that was not unusually large considering Mr S's account usage.

But even if Lloyds should have intervened - although I don't think it needed to - I'm not sure that they would have uncovered that Mr S was potentially being scammed. I would need to be satisfied that there were concerns that the company was operating as a scam when Mr S made the payments. And those concerns would've needed to have been apparent to Lloyds.

I've reviewed what the official organisations that publish warnings about merchants that operate in the UK and abroad have said. This includes the Investor Alerts Portal of the International Organization of Securities Commissions ("IOSCO"), as well as the FCA's own warning list. These watchlists, along with other reputable sources, lead me to believe that there were no warnings about the company involved, at the time Mr S made his payment. So even if Lloyds had intervened and carried out a small amount of research, I don't think it is likely it would've seen anything to suggest that the company in question was a scam.

At the time Mr S made his payment, the publishing company appears with a basic search to have been legitimate. I accept that with the extensive research that Mr S has now done, there are now serious doubts as to whether the publishing company was legitimate. But this was not apparent at the time and I would only expect Lloyds to carry out basic checks if carrying out a fraud or scam check.

So, I'm not persuaded that there was any reason for Lloyds to have been aware that the publishing company was fraudulent or operating a scam at the time of the payments. Therefore, I don't consider the bank acted unfairly by failing to intervene when the payment was made, even if I thought it should have intervened.

I accept that it is possible that the publishing firm was not legitimate. That said I don't need to make a definitive finding on this. I say this because even if it were operating as a scam Lloyds only has to refund the payment in question if it should have either intervened when the payment was made and this intervention would have stopped Mr S from sending the funds to the publishing firm or if it needs to make a refund based on the rules in place at the time.

Overall, I don't think that Lloyds needed to intervene given the size of the payment compared to the payments Mr S usually made and even if it did intervene, I don't think that it would have had concerns that Mr S was being scammed. So, I don't think that Lloyds could have stopped the payment based on the information that was available at the time it was made even if I were to conclude that the publishing firm were scammers.

I've also thought about whether Lloyds ought to have done anything to recover the funds after Mr S reported his loss. The payment was made via a direct debit to a third-party payment provider. So, it is not covered by the Contingent Reimbursement Model.

I now need to consider whether the Direct Debit Guarantee applies. Mr S used an online payment service to make the payment, with the funds pulled from his Lloyds account via a direct debit. There are certain reasons that a direct debit claim can be raised under the Direct Debit Guarantee scheme, these include:

- The direct debit instruction was switched to another bank account
- The merchant (the money transfer service) collected an amount that differs to what was agreed
- The merchant collected the money outside of the agreed notice
- Mr S didn't recognise the name of the merchant

As none of these situations apply, I'm satisfied that Mr S isn't entitled to a refund under the Direct Debit Guarantee scheme

I appreciate this will likely come as a disappointment to Mr S, and I'm sorry to hear he has lost a significant amount of money. But there is not an automatic right for consumers to receive a refund from Lloyds. It depends on the circumstances and payment method used. And in this instance, for the reasons given above, Mr S is not due a refund from Lloyds.

Finally, Mr S has raised concerns about the way that Lloyds communicated with him when he reported the scam. Lloyds have agreed to pay £100 compensation for this. I think that this is appropriate considering the circumstances.

Putting things right

To put things right, I require Lloyds Bank PLC to pay Mr S £100.

My final decision

Because of the reasons given above, I uphold this complaint in part and require Lloyds Bank PLC to do what I have outlined above to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or

reject my decision before 20 March 2026.

Charlie Newton
Ombudsman