

The complaint

Mr O is unhappy that Lloyds Bank PLC won't refund money he lost to a scam.

What happened

In September 2024 Mr O received a call from someone claiming to be from Lloyds' fraud team. He was taken through security and then told the account was under attack from scammers, who were attempting to make unauthorised payments and take out a £17,000 loan in his name. The caller knew about a suspicious Royal Mail text that Mr O had received previously, which he was told was where the scammers had obtained his banking details.

In order to cancel the fraudulent loan application, Mr O was instructed to run through another application himself – which he did, and was guided on what to enter online by the caller. As a result, a £17,000 loan was approved and paid to Mr O by Lloyds almost instantaneously. He was then told to transfer out the loan funds, along with the rest of his money, to another account he had at a provider (I'll call "R") to keep it safe. So Mr O did that across four payments to R within a few minutes of each other. The first payment was for £3,000 and made using his debit card, the second was a faster payment for £10,000, the third was for £4,000, and the last transfer for £2,500 cleared out the remaining funds he held with Lloyds (first moved into his current account from a savings account before sending).

Mr O was then persuaded to send the money back from R to a new 'safe account', that had supposedly been set up for him at Lloyds. The caller initiated the payments, and Mr O was told to accept the requests that popped up on his phone. Shortly after authorising them Mr O recognised that one was made to a furniture retailer, and so he contacted Lloyds and R. It was at that point he realised he'd been scammed, and logged fraud claims with both firms. R recovered the final payment made from that account but the rest was lost.

Lloyds considered if the payments would be covered by the Contingent Reimbursement Model (CRM), which was a voluntary code some banks signed up to which provided refunds for fraud in certain scenarios. But as the payments went to an account in Mr O's name Lloyds declined the claim. It recommended he take up the matter with R, and maintained that position in its final response to the complaint subsequently raised. When R also said it wasn't liable, Mr O referred both complaints to the Financial Ombudsman Service for review.

One of our investigators considered everything and thought the complaint should be upheld. In her view, the loan should not have been approved, as Lloyds should have questioned the information on the application. Mr O was 22 years old and there was no evidence of regular salary payments being received into his graduate account, so the stated earnings of £90,000 a year ought to have seemed unlikely. On that basis the investigator concluded that had further checks been carried out, or the loan not been granted, then the loss to the scam wouldn't have been possible.

The investigator also thought the pattern of payments by the £10,000 transfer should have prompted a fraud intervention prior to allowing it, as there were signs Mr O was falling victim to a scam. That intervention would also have uncovered what was happening and prevented the theft. But the investigator recommended that Mr O shared responsibility for the loss, as

in her opinion he didn't spot the warning signs that he wasn't talking to his bank.

Mr O accepted the investigator's opinion, but Lloyds disagreed with the view. It argued there was nothing in the information provided during the application or the regulator's rules that should have prompted the bank to carry out further checks on the loan. The software Lloyds used to assess lending applications also returned a score indicating a high degree of confidence that the income stated on the application was correct. Lloyds added that Mr O had made sporadic payments towards the loan, which showed it was affordable for him.

Lloyds requested that an ombudsman reconsidered the complaint, so the matter was passed to me for a final decision on the fair outcome. I sent my provisional findings to Lloyds, which said I intended to uphold Mr O's complaint in full. In summary, I concluded:

- It should have been clear to Lloyds that what had been entered into the application was unlikely, based on the information held. It knew Mr O was a 22 year old recent graduate and wasn't receiving a regular salary into his account.
- The size of the loan and inconsistent information on the application meant the affordability checks carried out weren't proportionate in the circumstances.
- Had Lloyds carried out further checks prior to approving the loan the scam would have been uncovered. That's because Mr O would have been alerted to the fact he wasn't talking to his bank – and safe account scams are usually time sensitive, so the scammers wouldn't likely have persisted if there was any friction in the process. Had the bank declined the loan application then the loss would have prevented.
- Lloyds ought to have intervened to carry out fraud checks prior to allowing the final payment for £2,500 – as although R was an established payee on the account, and open banking was used, that transfer represented the depletion of all his funds (including savings) in a matter of minutes, and involved much higher amounts than typically seen for the account. This pattern of payments following a loan application was clearly indicative of a safe account scam.
- Had Lloyds intervened at that point the scam would have been uncovered and the total loss prevented. Again, Mr O would have realised he hadn't been speaking to his bank, and none of the funds had been sent on to the scammer from R by then.
- I didn't agree Mr O had acted negligently, to the extent that he should share responsibility for the loss. He was young and financially inexperienced, and acting under pressure. He reasonably believed he was talking to Lloyds, with the earlier phishing scam to get his details meaning it was especially persuasive, and that his account was under attack. So while there were potentially a couple of aspects that in hindsight could have looked suspicious, I've decided Mr O not challenging those in the moment (the scam happened very quickly) doesn't amount to negligence on his part. Therefore I wasn't planning to apply a deduction to the refund of the disputed transactions.
- The complaint against R was also upheld and I set out in detail how it would share responsibility for refunding the loss with Lloyds. R wouldn't have reasonably been alerted that something was wrong until a big chunk of the funds had already been sent to the scammer, whereas Lloyds should have prevented the entire loss – so Lloyds would be responsible for refunding a higher proportion of the loss.
- The loan account should be reworked to remove the interest charged and settled using the refunds. Any evidence of it should be removed from internal and external databases, as it shouldn't have been approved. Any repayments Mr O made towards the loan should also be refunded, with 8% simple interest yearly applied from the date each one was made until the date of settlement to account for the time he was deprived of use of his own funds.
- As some of Mr O's own funds had been recovered by R, the loss from the fourth transaction was £1,400 – which would be split between Lloyds and R, with 8%

simple interest yearly also applied to account for the time he was deprived of use of his own funds.

Mr O and R accepted my findings. Lloyds did not respond 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.

As Lloyds did not make any further submissions challenging the outcome I set out above, I see no reason to depart from the conclusions I reached in my provisional decision. So I've decided to uphold Mr O's complaint in full for the reasons I've explained.

Putting things right

In order to put right the complaint, Lloyds should:

- Refund any repayments Mr O made towards the loan, with 8% simple interest yearly applied from the date the repayment was made until the date of settlement. Lloyds should deduct from that refund the amount that R will be refunding directly to Mr O in respect of the transactions resulting from the loaned funds – which totals £4,000.
- Rework the loan account to remove any interest and charges applied. I appreciate the loan might already be settled, but I'm setting out the calculation to show how that should be done (in theory) using the refunds of the disputed transactions.
- Refund the first payment for £3,000 in full to the loan account, to pay down the capital balance (R could not have prevented that portion of the loss).
- Refund £8,000 of payment two, and pay that to the loan account. The remainder of that transaction is covered by the deduction made in the first bullet point for the refunds to be paid to Mr O by R. The difference in how that loss is apportioned between the firms is the result of my assessment of how much of it R could reasonably have prevented versus Lloyds' responsibility.
- Refund 50% of payment three to the loan account (£2,000 – with the other half covered by the deduction applied in the first bullet point for the refunds from R).
- Pay £700 (out of the £1,400 was actually lost to the scammer) from payment four to Mr O directly (rest to be covered by R), and apply 8% simple interest yearly to that refund, calculated from the date of the transaction until the date of settlement.
- Once the loan account is settled, Lloyds should remove all evidence of the loan from its internal system, and externally with the Credit Reference Agencies, so that it doesn't influence any future lending decisions, as it shouldn't have been approved.

My final decision

I've decided to uphold Mr O's complaint against Lloyds Bank PLC, and I direct the bank to settle the matter in line with what I've set out above (in the 'putting things right' section).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 10 February 2026.

Ryan Miles
Ombudsman