

The complaint

Mrs P has complained about Lloyds Bank PLC not protecting her from a scam.

What happened

In summary, Mrs P was selling a textile machine online. A scammer from abroad offered to buy it, and sent her a foreign cheque for over £7,400, which Mrs P deposited in her Lloyds account. She says she was told the money was safe to use once it showed in her account.

The money showed in Mrs P's account, and she sent the machine to the scammer by courier. The scammer said they'd overpaid Mrs P by accident, and at their request Mrs P made an international payment of £500 to the scammer. It then emerged that the foreign cheque was fraudulent, so the £7,400 or so was taken back out of Mrs P's account, leaving her down the £500 international payment, plus the courier costs, plus the machine itself, plus a £508.46 cheque return fee.

There were further communication issues on Lloyds' part, such as directing Mrs P to the wrong department, not contacting her when they said they would, and making her explain things over again.

Lloyds agreed it had got things wrong, and apologised. It refunded the £508.46 returned cheque fee and paid Mrs P £350 compensation. But Lloyds didn't feel it was otherwise liable for Mrs P's losses.

Our Investigator looked into things independently and upheld the complaint. Lloyds didn't agree, so the complaint's been passed to me to decide.

I sent Mrs P and Lloyds a provisional decision on 9 September 2025, to explain why I thought the complaint should be upheld. In that decision, I said:

Both sides seem to accept that Lloyds got things wrong here. Lloyds should have set out the risks of the foreign cheque clearly, including the risk it could be re-debited once it heard back from the overseas bank. But there's no evidence it did so, it's admitted it didn't, Mrs P has given clear and consistent testimony that it didn't, from the records of Lloyds' contact it seems it didn't, and Mrs P's actions were consistent with Lloyds not doing so. So for the avoidance of doubt, I've found that Lloyds failed to properly inform Mrs P about the process and risks involved.

Lloyds also missed further opportunities to stop the scam. For example, I've listened to a later call where Mrs P wanted to make the £500 international payment. She explained the overseas buyer had paid by cheque and she was returning a £500 overpayment. And she was speaking to a staff member who dealt with fraud and scams, who should've had the expertise to notice such clear red flags. But instead, they mainly focused on making sure Mrs P had got the right account details to make her payment to. They didn't challenge her assertion that it was safe because she'd already received the money by cheque, and they allowed the international payment to go ahead. This was a clear failure on Lloyds' part.

I've taken into account the law, regulator's rules and guidance, relevant codes of practice, the duty to avoid foreseeable harm for its customers, and what I consider to have been good industry practice at the time. Having done so, I consider that Lloyds should have fairly and reasonably been on the lookout for signs its customers were at risk of fraud, and should've taken further steps or made further checks to help protect customers where such a risk was identified.

Here, I currently think that Lloyds failed to identify and prevent the scam when it reasonably should've been able to. This meant that Mrs P went on to send the machine itself to the scammer, pay for the international courier costs, and send another £500 to the scammer. And Lloyds can be held liable for losses which resulted from such a failure.

I'll first consider the financial losses involved.

First, there's the machine itself, which Mrs P has lost to the scammer. Mrs P has not sent us sufficient evidence of what it was worth, so I'll have to go based on what she told Lloyds, which comes to an estimated figure of £4,600. That's in line with what a machine of that nature would cost, and I have no other figure to go off. I can't use the total figure of the cheque itself, since that also included other costs (like the courier), and Mrs P accepted that it was a substantial overpayment.

Then there's the courier cost. From what both sides have said and provided, this was the £1,626 Mrs P paid to her in-law to use their business' courier service.

Finally, there's the international payment Mrs P sent to the scammer, which was £500.

I've also considered Mrs P's role in what happened. I've seen nothing to suggest that Mrs P was – or ought to have been – familiar with this type of scam. I can't see that she was given any scam warnings which were actually relevant to this type of scam. And she was entitled to rely on her bank's advice that the money from the cheque was safely in her account and was OK to use. So I do not currently find that Mrs P needs to share any liability for the financial losses involved.

Next, I've considered the non-financial losses involved – i.e. the trouble and upset Lloyds caused. Of course, I've kept in mind that it's the scammer who's primarily responsible for the scam and the distress their scam caused. But Lloyds really added to this in misadvising Mrs P, sending her to the wrong department, not contacting her when they said they would, making her explain things repeatedly, and so on. It looks like Lloyds added considerable stress and upset on top of what the scammer did, along with significant inconvenience, and this has taken quite a bit of extra effort to sort out. So taking into account the impact Lloyds had on Mrs P alongside our guidelines for compensation, I agree with our Investigator that £500 total compensation would be fairer than £350 to put that right.

I said I'd consider anything else anyone wanted to give me – so long as I received it by 23 September 2025. Lloyds agreed to the proposed redress, and Mrs P didn't add anything further.

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.

Neither side have sent me any new evidence or arguments. So having reconsidered the case, I've come to the same conclusion as before, and for the same reasons as set out in my provisional decision above.

Putting things right

I direct Lloyds Bank PLC to:

- Reimburse Mrs P £4,600 for the lost machine, plus £1,626 for the courier payment, plus £500 for the international payment, totalling £6,726.
- Pay simple interest to Mrs P on the £1,626 courier payment and the £500 international payment, at the rate of 8% simple per year. This is payable from the date those payments went out of her account until the date they're reimbursed. This is to compensate Mrs P for the time that money was out of her account and she was unable to make use of those funds.

If Lloyds considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from that simple interest, it should tell Mrs P how much tax it's taken off. It should also give Mrs P a tax deduction certificate if she asks for one. Mrs P may be able to reclaim the tax from HMRC if she doesn't normally pay tax.

- Pay Mrs P an additional £150 compensation for the trouble and upset it caused, to bring the total to £500 there.

My final decision

I uphold Mrs P's complaint, and direct Lloyds Bank PLC to put things right in the way I set out above.

This final decision marks the end of our service's consideration of the case. If Mrs P accepts the final decision, Lloyds Bank PLC must carry out the redress within 28 days of the date our service notifies it of the acceptance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 28 October 2025.

Adam Charles
Ombudsman