

The complaint

Mr and Mrs A complain Lloyds Bank Plc (“Lloyds”) won’t refund the money they lost to an investment scam.

As this complaint is about payments made from Mr A’s sole account, for ease, I will only refer to him throughout.

What happened

The detailed background to this complaint is well known to both parties. So, I’ll only provide a brief overview of some of the key events here.

In May 2024, Mr A fell victim to an investment scam. He saw an advertisement online promoting a company I will refer to as “E”. Mr A reached out to E and he was then contacted by a “broker” who said they would instruct him on what to invest in and how, in order to make significant profits. Mr A was instructed to set up an account on what we now know to be a fake investment portal. He was also instructed to set up an account with an online payment gateway (“O”) and a cryptocurrency exchange (“I”).

Over the next five months, under the instruction of the scammer, Mr A made the following payments from his Lloyds account. In the main the payments were sent to his account at I via O. The funds were then sent on to an account controlled by the scammer:

Date	Payment type	Payee	Amount
13 May 2024	Debit card	Company N	£871.57
16 May 2024	Transfer	Mr A’s account at I via O	£75,000
25 June 2024	Transfer	Mr A’s account at I via O	£10,000
25 June 2024	Transfer	Mr A’s account at I via O	£40,000
4 July 2024	Transfer	Mr A’s account at I via O	£20,000
9 July 2024	Transfer	Mr A’s account at I via O	£20,000
26 July 2024	Transfer	Company K	£4,750 £4,715 later returned to account

Mr A made the payments at the request of the scammer for various reasons. The initial payments were for investments. The later payments were to allow him to withdraw the profits he had been told he’d made.

Mr A says he realised he'd likely been the victim of a scam when the scammers wouldn't allow him to withdraw his profits and continued to ask him for more money. At this point, he realised he wasn't dealing with a genuine company and so he reported what had happened to him to Lloyds.

Lloyds declined to provide Mr A with a refund of the amount he'd lost. It pointed out that it had discussed Payment 2 with him during a telephone conversation that took place in one of its branches. It said that during this conversation, Mr A had been reluctant to answer Lloyds' questions about the payment he was making and that he misled its agent about the circumstances surrounding it when asked. Lloyds said this had prevented it from uncovering the scam and preventing Mr A's loss.

Unhappy with Lloyds' response, Mr A brought his complaint to this service and one of our investigators looked into things.

The investigator recommended that the complaint be partially upheld. They said that when Mr A made Payment 2, Lloyds should've done more to uncover the scam and had it done so, it could've prevented the continuation of the scam. Because of this, the investigator recommended Lloyds refund Mr A the amount he'd lost from Payment 2 onwards, minus a deduction of 50% to recognise Mr A had also played a role in the success of the scam.

Mr A agreed with the investigators findings but Lloyds did not. Amongst other things, it said that it was reliant on customers being truthful when attempting to prevent financial from fraud. Mr A had been deliberately misleading which prevented it from uncovering the scam.

As an informal agreement could not be reached, the case has been passed to me for 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 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 have been good industry practice at the time.

Having taken into account all of the above, I am currently minded to reach the same conclusion as the one reached by our investigator for the same reasons. I have very little to add to what they have already said. I agree that Lloyds could've prevented Mr A's losses from Payment 2 onwards and so I'm minded to recommend a partial refund from this date. I'll explain why in more detail below.

As both parties have now agreed that Payment 1 could not have been prevented, I don't intend to comment on it further here.

It is not now in dispute that the second payment made on 16 May 2024 should've prompted further questioning from Lloyds. Lloyds identified a scam risk at the time and it contacted Mr A to discuss the payment before it left his account. I have been provided with and reviewed a transcript of the conversation that took place between Mr A and Lloyds in regard to this payment and I agree that Lloyds could've gone further than it did to prevent Mr A's loss. It

should've asked Mr A further probing questions about the circumstances that had led to him making the payment, despite Mr A's apparent reluctance to say where his funds were going.

I acknowledge Lloyds's argument that Mr A was reluctant to answer its questions and that he misled Lloyds' agent when asked if he was being asked to make the payment by a third-party. I acknowledge that this would've made it difficult for Lloyds to uncover what was really happening. However, the above being said, I'm satisfied that this payment posed a significant risk. It was high in value and was apparently being sent to a payment processor which appears to specialise in sending payments to digital businesses – like cryptocurrency exchanges. So, there were a number of red flags here. Lloyds had identified this risk and so the purpose of the resulting conversation was to ask Mr A some questions about the payment in order to satisfy itself that he wasn't at risk from financial harm from fraud. I'm not persuaded this is what happened here.

Having read the transcript of the conversation that took place, despite asking probing questions, Lloyds' agent found out very little about the circumstances surrounding this payment – no questions were asked about the company Mr A was involved with, the proposed returns, whether he'd been able to withdraw any profits prior or why he was sending funds via a payment processor which appeared to specialise in cryptocurrency transfers (which is what was happening here). There was also no attempt to explain to Mr A what a typical scam of this nature looked like or bring the common features of this type of scam to life. The questions asked were surface level and not fully answered by Mr A who was vague and reluctant to answer any questions. So, it's difficult for me to now reach the conclusion that following this conversation, it was reasonable for Lloyds to be persuaded that Mr A wasn't at risk of financial harm from fraud and it was reasonable for it to allow this payment to be processed. I don't think any of the information that was gathered in this call should've reasonably reassured Lloyds' that Mr A wasn't falling victim to a scam.

As the industry expert, it is for Lloyds to satisfy itself that its customer is not at risk of financial harm before processing payments at their request. And in May 2024, Lloyds would've been aware that customers are often told by scammers to lie to their bank about the real reason behind the payments they're making or to provide their bank with a "cover-story" in order to maximise the chances of the payment(s) being processed. So, I don't agree with Lloyds' submissions that it is reliant on customers being honest about the circumstances surrounding payments. Lloyds should've been well aware in May 2024 that this is often not the case, and Mr A's reluctance to answer questions about where the payment was going to should've been a red flag - in addition to the value of this transaction and its unusual destination.

So, having thought carefully about what happened in branch in May 2024, I don't think Lloyds went far enough given the concerns it had about the payment Mr A was making. Mr A's reluctance to engage with the questions being asked of him should not have meant that Lloyds simply accepted his answers at face value and I also have to bear in mind that Mr A was in attendance at a Lloyds branch at the time of this conversation. So, of particular relevance here, is the Banking Protocol.

The Banking Protocol

The Banking Protocol is a multi-agency initiative between the Police, financial sector organisations (including banks, building societies and The Post Office) and Trading Standards "aimed at identifying customers who are in the process of being defrauded and implementing safeguarding procedures to prevent their repeat victimisation and further loss of funds". It has been fully in force since March 2018.

In broad terms, according to the UK Finance's toolkit for financial businesses, firms should:

- Look out for any unusual or out of character withdrawals and to implement the Banking Protocol procedure when such transactions are identified.
- Discreetly question the customer about any identified withdrawal or transaction and their reasons for making it, keeping in mind that the customer may have been told they are helping to catch a corrupt bank employee and may have been given a cover story to tell if asked about the transaction.
- Consider the responses against what they expect normal activity on the individual's account. If they are concerned or suspicious that the customer may be the victim of fraud, they should notify a senior member of staff, who should take the customer to a quiet area and ask further questions to establish more details.
- If the senior colleague believes the customer is the victim of fraud, either as a result of the answers provided or through their general behaviour, they should call the Police immediately who will attend the branch to speak to the customer.

Taking into account the above, I'm satisfied that there was enough going on here, including Mr A's behaviour and the unusual activity on his account, that meant Lloyds should've had real concerns about what was happening. So, whilst I am satisfied that at least some effort was made in branch to question Mr A, the Banking Protocol sets out that branch staff should call the Police if they believe the customer is at risk of financial harm. The fact that Mr A was being questioned suggests to me that Lloyds did think Mr A might've been falling victim to a scam and I'm not persuaded that any of his answers during his conversation with Lloyds' advisor should've reassured Lloyds that the payment Mr A was attempting was legitimate. This coupled with Mr A's behaviour and reluctance to answer questions should've put Lloyds on notice that something was amiss and the Banking Protocol should've been invoked and the Police called.

Had branch staff invoked the Banking Protocol, I'm satisfied that it's fair and reasonable to assume that the scam could've been prevented from this point onwards. I acknowledge that Mr A appears to have been reluctant to engage with what he was being told by Lloyds or cooperate with them more generally. However, I haven't seen anything that persuades me Mr A wouldn't have acted on the advice of law enforcement. And so, I'm persuaded that had Lloyds acted in line with the Banking Protocol in May 2024, Mr A's loss could've been prevented from this point onwards. I'm therefore satisfied it would be reasonable to hold Lloyds liable for Mr A's loss from 16 May 2024 onwards.

The above being said, I'm also satisfied that it would be reasonable for Mr A to bear some responsibility for his losses from this point onwards too. I say this because:

- The investment Mr A was offered did not sound genuine and it's unclear how the investment was supposed to work or how it could generate such large profits.
- Many of the conversations Mr A had with the supposed broker took place over a text-messaging service which is not a method used to arrange and agree legitimate investments, especially of this value. The language used by the scammer wasn't what I'd expect of a genuine broker either. I therefore think that the nature of the messages, in combination with the other factors, ought reasonably to have led Mr A to have concerns.
- The rate of return Mr A was offered and the timescale to receive it in were too good to be true - Mr A had been promised returns of over £500,000 over a short period of time. And so, I'm satisfied that what was being offered here was so unrealistic and unlikely that Mr A ought reasonably to have had significant concern about the legitimacy of the opportunity that was presented to him. That, in turn, ought to have led to a greater degree of checking on his part. However, I can't see that Mr A did

- seek to verify any of the information he was being told by the scammer.
- Mr A was reluctant to answer questions posed to him by Lloyds in May 2024 and he misled Lloyds about a third-party being involved in the payments he was making. Ultimately, this made it difficult for Lloyds to uncover what was happening and preventing the scam from continuing. I'm therefore satisfied that Mr A's actions also played a role in the overall success of this scam.

So, in summary, I'm satisfied Lloyds should've done more to prevent Mr A's losses from the 16 May 2024 onwards. I don't agree with Lloyd's submissions that it was purely reliant on what Mr A told it when questioned. I think there was enough going on that Lloyds, having spoken to Mr A, should've been concerned that he was falling victim to a scam and invoked The Banking Protocol and if it had, Mr A's loss could've been prevented from this point onwards. However, I think it's fair for Mr A to share the responsibility for his loss with Lloyds for the reasons I've set out above. Lloyds should therefore refund 50% of Mr A's overall loss from 16 May 2024 onwards taking into account the funds that came back into the account. Mr A should bear responsibility for the rest.

My final decision

For the reasons given above, my final decision is that I partially uphold this complaint and direct Lloyds to pay Mr and Mrs A:

- 50% of their overall loss, from and including, the 2nd payment made on 16 May 2024 taking into account the funds that came back into the account.
- 8% simple interest per year on that amount from the date of each payment to the date of settlement.*

*If Lloyds considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs A how much it's taken off. It should also give him a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 12 March 2026.

Emly Hanley Hayes
Ombudsman