

The complaint

Mrs G has complained that Lloyds Bank Plc won't refund money she lost to a scam.

What happened

The details of the complaint are well known to both parties, so I will not repeat them again here. Instead, I will focus on giving the reasons for my decision.

I issued my provisional findings on 4 November 2024, where I said the following:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Mrs G knowingly made the payments, from her Lloyds account – albeit under the direction and guidance of the scammer as she believed the fine art to be legitimate. And so, I'm satisfied she authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of her account, Lloyds are expected to process Mrs G's payments, and she is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Lloyds to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

So, the starting point here is whether the instructions given by Mrs G to Lloyds (either individually or collectively) were unusual enough to have expected additional checks being carried out before the payments were processed. Neither party has disputed that further checks ought to have been carried out, however what is in dispute is at which points Lloyds ought to have intervened.

Our investigator said Lloyds ought to have intervened from payment two and proposed Mrs G was refunded 100% of her loss for payments two and three, and then 50% of her loss from the fourth payment onwards. Lloyds disagreed and stated with the benefit of hindsight it ought to have intervened from payment three. As such it offered to reimburse Mrs G 50% from payment three onwards.

Having looked at Mrs G's account activity I am satisfied that the payment she made on 13 January 2023, for £10,000, was unusual and uncharacteristic for her usual expenditure. I say this because prior to any of the disputed payments the largest payment Mrs G made in the previous 12 months was for £2,367. And while this was via the same payment method, it was considerably less than the payment in dispute here. I have also considered another significant change in Mrs G account usage. Prior to the first £10,000 payment being made on 13 January 2023, Mrs G transferred £20,000 from her ISA to her Lloyds account. And while it's not uncommon for consumers to transfer large sums from their savings (for something specific). It was out of character for Mrs G to move such a large sum from her

savings, considering up until the disputed payments, she had not moved any funds out of her ISA account in the last 12 months. Overall, I am satisfied there was enough about payment two (£10,000) and the activity on Mrs G's account that ought to have been concerning such that Lloyds should have intervened at that time.

Lloyds has confirmed no warnings were provided to Mrs G at that time.

I've thought carefully about what a proportionate warning in light of the risk presented would be in these circumstances. In doing so, I've taken into account that many payments that look very similar to this one will be entirely genuine. I've given due consideration to Lloyds' duty to make payments promptly, as well as what I consider having been good industry practice at the time this payment was made. With that said, due to the significant change in Mrs G's account activity, payment method and value of the payments, I think it would have been reasonable to have expected Lloyds to have contacted Mrs G to discuss the payment. In doing so, I would have expected it to ask, What was the purpose of this payment? How did she come across this opportunity? Can she provide more information about the opportunity, such as the name of the company? How do you know the payee? I accept that any such intervention relies on the accuracy of any information provided by the customer and cannot reasonably cover off every circumstances.

With that in mind, I have gone on to consider what is likely to have happened, if Lloyds had intervened in the way I have highlighted above. And I am satisfied on balance; it is likely the scam would have been unveiled. Mrs G wasn't provided with a 'cover story' and based off the information provided (and future events that occurred,) I am in no doubt that Mrs G would have been open and honest with the questions Lloyds asked, similarly to how she was when Lloyds intervened in June 2023. It can't be ignored that at a later point in time (in June 2023) when Lloyds did make contact with Mrs G and ask appropriate questions the scam was unveiled.

There's no doubt that this was a cruel and sophisticated scam and I certainly wouldn't be placing blame on Mrs G for this. Nonetheless, I am obliged to consider contributory negligence, and in doing so, the starting point is to think about what a reasonable person would be expected to do in the circumstances – and whether Mrs G's actions fell below that.

Mrs G has said that she wasn't looking for investments nor expressed her interest in the fine art anywhere. So, I think it is fair to conclude that she ought to have been on alert when she received a phone-call out of the blue with respect to investments in art.

Mrs G said she didn't conduct any research on the 'investment opportunity', the relationship between the investment company and Lloyds, or the parties she was paying. A search on 'Companies House' would have identified the recipient companies were newly created, with no accounts filed. But most importantly the nature of business listed wasn't in-line with what the scammers proposed to Mrs G.

I appreciate Mrs G has said that she wasn't alarmed when an advisor from Lloyds contacted her asking her if she wanted to invest in fine art, as she thought it was just new ways to invest. But the recipient she was sending money to wasn't Lloyds, and the name of the company didn't match who the scam company said it was. And while it's not uncommon for companies to trade and operate under different trading names, I think among some of the other red flags, this ought to prompted Mrs G to complete further research or at least check with Lloyds.

I do accept that there may have been elements to the scam which appeared sophisticated. However, I do think there were some red flags Mrs G ought to have picked up on. For the avoidance of doubt, it is not my finding that Mrs G knew that she was likely falling victim to a

scam and went ahead anyway. But I do think based on some of the information available to her that there was a possibility something wasn't right, or that she might not recover her money. In those circumstances it would not be fair to require Lloyds to compensate her for the full amount of her losses.

I've concluded, on balance, that it would be fair to reduce the amount Lloyds pays Mrs G because of her role in what happened. Weighing the fault that I've found on both sides, I think a fair deduction is 50% from payment two.

For the reasons I have explained above, I feel Lloyds ought to have recognised that Mrs G might have been at risk of financial harm from fraud when she made payment two, and in those circumstances, it should have declined the payment and made further enquiries. So, it follows that I think it's reasonable Lloyds should pay Mrs G:

- 50% of all payments from and including payment two.*
- 8% interest on that amount (to reflect the loss of use of this money in the account) from the date the payment was paid to the date of settlement less any tax lawfully deductible.*

My provisional decision

My provisional findings is that I uphold this complaint and direct Lloyds Bank PLC to pay Mrs G as outlined above."

Both parties responded to my provisional findings and accepted.

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 both parties accepted my provisional findings, my decision remains the same.

Putting things right

For the reasons I have explained above, I feel Lloyds ought to have recognised that Mrs G might have been at risk of financial harm from fraud when she made payment two, and in those circumstances, it should have declined the payment and made further enquiries. So, it follows that I think it's reasonable Lloyds should pay Mrs G:

- 50% of all payments from and including payment two.*
- 8% interest on that amount (to reflect the loss of use of this money in the account) from the date the payment was paid to the date of settlement less any tax lawfully deductible.*

My final decision

My final decision is that I uphold this complaint and direct Lloyds Bank PLC to pay Mrs G as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 18 December 2025.

Jade Rowe
Ombudsman