

The complaint

Mr and Mrs M complain that Lloyds Bank PLC won't refund the money they lost when they fell victim to a scam.

What happened

Mr M was the victim of a scam after receiving a call from someone who claimed to work for Lloyds' fraud department. He was told that the bank had stopped two attempted payments on he and Mrs M's account, and when Mr M confirmed he had not made these payments he was told that it was possible a staff member at the bank was trying to make these payments.

Mr M was told that he needed to go into a Lloyds branch and transfer money that was being put into his account, into a dummy account, and that this would enable the fraud team to catch the staff member responsible. He was told to say that he was sending the money to his son-in-law. Unfortunately, and unknown to Mr M at the time, this was not a legitimate representative of the bank, he was dealing with scammers.

Mr M went to the branch as instructed, and asked to transfer £24,100, staff there completed a 'High Value Checklist' with him, the payment was then also flagged by the fraud department, who discussed it with Mr M before allowing it to go through.

Later that day, when he had been able to process what had happened, Mr M realised that he had likely been the victim of a scam, and so he contacted Lloyds to let it know what had happened. Lloyds looked at the circumstances of this payment but did not feel it was liable for the loss as it did not consider Mr M had taken enough care to ensure that he was paying someone legitimate, and considered that it had provided appropriate warnings to Mr M. So, Lloyds declined to refund the payment Mr M had made, although it was able to recover a small amount from the recipient account (£14.79), and this amount was returned to Mr and Mrs M. Mr and Mrs M were unhappy with Lloyds' response, so they referred the complaint to our service.

Our investigator upheld the complaint in part. Overall, they thought that Lloyds did not provide effective warnings regarding the payment. They did, however, think that there were red flags that should have suggested to Mr M that all was not as it seemed. Therefore, the investigator said that Lloyds should refund 50% of Mr and Mrs M's loss, plus interest.

Mr and Mrs M had also asked our investigator to consider whether Lloyds should pay additional compensation for the distress caused to them by this issue. But, overall, our investigator felt that no additional compensation was warranted, given that the main source of distress here was the actions of the scammers who deceived Mr M into making this payment.

Lloyds disagreed with the investigator's findings, it maintained that it had given appropriate warnings – which Mr M had ignored – and that Mr M had not been honest about the reason for the payment. So, as no agreement could be reached, the matter has been passed to me for review.

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.

The Lending Standards Board Contingent Reimbursement Model (the CRM code) was a voluntary code which set out a number of circumstances in which firms are required to reimburse customers who have been the victims of certain types of scam. The Code was in force at the time this payment was made, and Lloyds was a signatory to the Code, so I've considered whether Mr and Mrs M are entitled to a refund of the disputed payment under the Code.

The Code required firms to reimburse customers who have been the victim of authorised push payment scams, like the one Mr M fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the Code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
 - o the payee was the person the customer was expecting to pay;
 - o the payment was for genuine goods or services; and/or
 - o the person or business with whom they transacted was legitimate

There are further exceptions within the Code, but these don't apply here.

Lloyds has argued that Mr M didn't act reasonably and should have done more to check who he was paying. And, having thought carefully, I agree. I appreciate that there were sophisticated elements to this scam, but there were also a number of things about what was happening that I think should have caused him significant concern, and there were simple steps that he failed to take which could have identified this scam at an earlier stage. Specifically:

- The scammer, while claiming to work for Lloyds, appears to have had no personal or account specific information about Mr and Mrs M;
- Mr M didn't check, either online or in the branch, that the attempted payments and supposed credit of £24,100 had actually taken place;
- The account that Mr M was making the payment to was at a completely different, unrelated, bank;
- Mrs M had apparently told Mr M that she had concerns that the call claiming to be from Lloyds was not legitimate, but Mr M did not take any steps to verify that he was really speaking to Lloyds.

With this in mind, I don't think Mr M had a reasonable basis for belief when making the payment, and so Lloyds doesn't have to refund all of the money lost as a result of this payment.

Did Lloyds meet its requirements under the Code?

Even though I don't think Mr M had a reasonable basis for belief when making the payment, he and Mrs M may still be entitled to a refund of some of the money lost if Lloyds didn't meet its requirements under the Code – one of which is to provide effective warnings when it identifies a scam risk.

The payment Mr M made to the scammers was for a significant amount, and was out of character for the account, and so Lloyds did identify it as a potentially risky payment. As a result, Lloyds asked Mr M to complete the 'High value checklist', to read a leaflet about scams, and then the fraud team also discussed the payment with him. What I must therefore consider is whether any of these interventions would amount to an effective warning – which Mr M then ignored – under the Code.

The Code says that an effective warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. And it says that, as a minimum, an effective warning should be understandable, clear, impactful, timely and specific.

I've seen a copy of the 'High value checklist' Lloyds says it was using, although Lloyds has been unable to provide any record of the answers Mr M gave to this checklist. Lloyds has also sent us a copy of the scam leaflet Mr M would have seen, and has provided a transcript and recording of the call between Mr M and the fraud team when Mr M made the payment in branch.

I appreciate that, in providing Mr M with these messages, Lloyds took steps to provide him with a scam warning during the payment journey. However, despite this, I'm not persuaded Lloyds has demonstrated that the warnings met the minimum requirements of an Effective Warning under the Code.

The Code sets out minimum criteria that a warning must meet to be an 'Effective Warning'. I consider it reasonable to expect that any Effective Warning should have had a realistic prospect of preventing a scam of the general type the warning was intended for. Here, Mr M believed that he and Mrs M's account had been compromised and that he was making a payment to help catch a criminal. That is a relatively common scam type and one for which I'd expect Lloyds to be able to tailor a warning. And Lloyds evidently did identify that this type of scam was one of the potential risks associated with this payment, as it included warnings about this type of scam in its conversation with Mr M and in the leaflet it provided to him. But these warnings were included amongst a series of other warnings, limiting their impact, and in any case none of the warnings provided did enough, in my view, to bring to life what these kinds of scams might actually feel like. So, I don't think the warnings were sufficiently impactful as required by the Code.

I say this because while Lloyds did touch on some aspects of the scam that might have resonated with Mr M, this information was provided along with details of other scams that were not relevant to Mr M's circumstances. In addition, while some relevant questions were asked of Mr M (and I acknowledge that he was not honest about exactly what the payment was for) I don't think any real context was given around why those questions were being asked. Lloyds has said that certain statements *would* have been read to Mr M, but has provided no evidence that they actually were.

So, while it appears Lloyds had identified a scam risk here, I'm not satisfied that the warnings it gave were sufficient to show it complied with the requirements of the Code in relation to the payment Mr M made. I think Lloyds could have better brought to life the scam risk and protected Mr M from financial harm from fraud. Had it done so, I don't think Mr M would've made the payment, particularly given that it appears Mrs M had already expressed concerns about what Mr M had been asked to do. As a result, I think Lloyds should refund

50% of the payment Mr M made, plus interest, this takes into account that I do accept that Mr M should also have done more to protect himself from this scam.

I acknowledge what Mr and Mrs M have said about the service they received from Lloyds, but while I appreciate why they feel the way they do, I do not consider that any further compensation to that detailed above is warranted in the circumstances.

Putting things right

To resolve this complaint Lloyds should:

- Refund 50% of Mr and Mrs M's outstanding loss – taking account of the funds already returned by the receiving bank.
- Pay 8% simple interest per annum on that refund from the date the claim was declined to the date of settlement.

My final decision

I uphold this complaint in part. Lloyds Bank PLC should now put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M and Mr M to accept or reject my decision before 19 February 2026.

Sophie Mitchell
Ombudsman