

The complaint

Mr S, who is represented, complains that Lloyds Bank PLC won't reimburse money he lost to fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

Between May 2021 and July 2022, Mr S was the unfortunate victim of a number of investment fraud schemes. As part of those schemes, he was instructed to make payments to crypto asset providers and send those crypto assets on to the fraudsters.

Once Mr S attempted to withdraw his purported investments, he was told by the fraudsters that he'd need to pay further charges and fees to release his funds, leading to more payments being made. However, Mr S eventually realised he'd been defrauded and reported the matter to Lloyds: the bank where he'd made the payments from.

Lloyds considered Mr S's claim, but concluded it was only partially liable for the payments he made in branch via the Faster Payment's system. It wouldn't reimburse Mr S for the card payments he'd made toward the fraud.

Mr S disagreed with that assessment, so he referred the matter—via his representative—to our service for an independent review. An Investigator considered the evidence but disagreed with Lloyds' assessment of Mr S's claim. They found that Lloyds ought to have intervened at an early stage in the card payments made, and had it done so, it would have prevented Mr S's loss. But they felt liability ought to be shared with between Lloyds and Mr S.

Lloyds disagreed with that assessment, as it felt that the payments were not so unusual that they ought to have intervened at such an early stage. As such, the matter has now been passed to me to decide.

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.

Considerations

There is no dispute here that Mr S authorised the transactions in question. And the starting position in law is that Mr S will be held liable for the transactions he authorised in the first instance. That is due to Lloyds' primary obligation to process payments in line with its customer's instructions, as set out in the Payment Services Regulations 2017.

However, 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.

Considering the above, Lloyds ought reasonably to have been on the lookout for any transactions that would indicate Mr S was at risk of financial harm from fraud. And where it identifies a risk, it ought reasonably to intervene in that payment, ascertain the purpose of it, and provide warnings proportionate and relevant to the risks presented.

Should Lloyds have identified Mr S was at risk of financial harm?

The first three payments Mr S made toward the fraud were as follows:

Payment no. and date	Payment type	Amount
1. 20 May 2021	Card payment	£5,000
2. 4 June 2021	Card payment	£6,000
3. 7 June 2021	Card payment	£6,000

When comparing these against Mr S's prior account history, I find that all these payments stand out. Mr S generally used his account for day-to-day low value card payments, Direct Debits and intermittent foreign currency transfers. The highest payment Mr S made on his account in the six months leading up to the payments above was circa £1,000.

Having said that, Lloyds has a difficult balance to strike in fulfilling its obligation to process payments its customer instructs it to make and intervening proportionately where risk indicators are present.

With that in mind, I find it reasonable that Lloyds would not be suspicious of an occasional higher value card payment for goods and services, as this is typical of account behaviour and interference in such payments would likely seriously impact a banks' ability to function effectively. It is therefore reasonable that Lloyds did not intervene in the first and second payments listed in the table above. While they were high-value and atypical of Mr S's account usage, they were occasional and spread out.

However, I'm in agreement with our Investigator that the third payment represented a significant increase in risk. Not only had Mr S now made three high-value card payments from his account—which was highly unusual—, he'd also made two of these payments within three days of each other. And cumulatively, he'd made card payments equating to £17,000 from his account over a relatively short period of time. Looking at the way Mr S operated his account generally, this was suspicious, out of character, and indicative of how payments are made in cases of fraud.

Lloyds has argued that Mr S made similar payments on his account in the six-months prior to making the payments I have listed above. But the payments it has used in reference to its assertions are four card payments that cumulatively represent less of the value of one of the payments in the table above—by a long way—, so I don't find that to be a persuasive argument.

There has been some back and forth between our Investigator and Lloyds regarding the increased risk indicators associated with the payments, as they were being made to a crypto asset provider. I don't find it necessary to comment on this further, as while payments to crypto assets were considered to carry a greater risk at the time these payments were made, I find that even had they not been made to an identifiable crypto asset provider, my decision

would remain the same, purely based upon the value and pattern of the payments made.

Overall, I'm persuaded that Lloyds ought reasonably to have intervened on the third payment in the table above. And that intervention should have been carried out with the aim of finding out the purpose of that payment and eliminating the possibility Mr S was at risk of financial harm from fraud.

Would that intervention likely have prevented Mr S from continuing to make payments?

From the limited evidence provided by Mr S, this investment fraud was not particularly sophisticated—to a professional adept in fraud detection—and bore many characteristics associated with fraud of this type.

I have seen no evidence that would suggest Mr S was coached by the fraudsters regarding what to tell the bank had it intervened in payments. So it's likely Mr S would have been open and honest about the payment purpose and investment had he been asked.

Were that to have been the case, I find it likely Lloyds would have been alerted to the fraud indicators and it would have relayed those concerns to Mr S, likely preventing any further payments.

Taking into account what I have said above, Lloyds ought reasonably to have prevented the payments from, and including, the third payment made. It therefore follows that it ought reasonably to be held liable, at least partially, for Mr S's loss.

Should Mr S share liability for his loss?

Our Investigator has already set out in detail arguments supporting why Mr S should share equal liability for his loss. And both Lloyds and Mr S's representative have expressed agreement in those findings, so I don't intend to dwell on this point.

However, for the avoidance of doubt, I concur with the Investigator's findings for broadly the same reasons. These include, but are not limited to:

- Insufficient research on the investment firm or its representatives to check the legitimacy of those parties or the investment opportunity presented.
- Lack of evidence regarding communications with those parties, meaning insufficient scrutiny of those correspondences can be conducted to check their plausibility.
- Lack of plausibility in paying significant sums, that are greater in value than the capital invested, to release payments.

While I can appreciate that fraudsters are experienced in social engineering and deception, Mr S ought to have picked up on some of the concerning elements presented to him and done more to ensure he was dealing with a legitimate investment and business.

For these reasons, I find Mr S can reasonably be held equally liable for his loss.

Putting things right

Our Investigator has set out in detail in their view the payments that have been made toward the fraud. Lloyds have already partially reimbursed Mr S for the Faster Payment transfers he has made. It should now go ahead and reimburse Mr S 50% of the card payments he made from, and including, payment three in the table above.

Lloyds should perform its own calculations to ensure the reimbursement total is correct. By

my calculations, the total of the payments due reimbursement is £20,500. Including deductions to reflect Mr S's liability, I calculate a total reimbursement due of £10,250.

Lloyds should also pay Mr S 8% simple annual interest on this amount, running from the date the payments were made, to the date of settlement, to reflect the deprivation of those funds during that time.

My final decision

For the reasons I have set out above, I uphold this complaint and direct Lloyds Bank PLC to settle this complaint as I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 March 2026.

Stephen Westlake
Ombudsman