

The complaint

Mr Y complains that Lloyds Bank PLC (“Lloyds”) won’t refund around £23,000 he lost to a cryptocurrency investment scam.

The details of this complaint are well known to both parties, so I won’t repeat everything again here. Instead, I will focus on giving the reasons for my 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.

- It isn’t in dispute that Mr Y authorised the disputed payments he made to his crypto wallet from his Lloyds account (where his funds were subsequently transferred on to the scammers). The payments were requested using his legitimate security credentials provided by Lloyds, and the starting position is that banks ought to follow the instructions given by their customers in order for legitimate payments to be made as instructed.
- However, I’ve considered whether Lloyds should have done more to prevent Mr Y from falling victim to the scam, as there are some situations in which a bank should reasonably have had a closer look at the circumstances surrounding a particular transfer. For example, if it was particularly out of character or considered ‘high risk’.
- I don’t think the first two disputed payments would have warranted any form of warning or intervention from Lloyds, as Mr Y had made higher value payments than this to his crypto wallet prior to the scam. However, Lloyds would’ve been aware of the significant increase in cryptocurrency investment scams by April 2023, so at the least I think it ought reasonably to have provided a tailored written warning highlighting the key features of cryptocurrency investment scams when he attempted the £9,000 payment on 25 April 2023, as Lloyds could have seen that it was being paid to a cryptocurrency merchant, and I think the value of this payment would’ve indicated a heightened risk of financial harm. However, on balance, I’m not persuaded any such warning would have likely prevented Mr Y’s loss in these circumstances. I’ll explain why.
- Mr Y had experience in trading cryptocurrency, as he had made legitimate payments to his crypto wallet prior to the scam. One of the key features of cryptocurrency investment scams will often entail the scammer helping the customer to set up crypto wallets, which wouldn’t have been in the case here given Mr Y already had his own wallet and had purchased cryptocurrency before. So, I don’t think this part of any warning would have likely resonated. In addition, I can’t see that there was any adverse information about the broker Mr Y was dealing with in the public domain at the time that would have indicated it was a scam either. So any warning advising him to carry out further research would’ve been unlikely to yield any results that would have made him realise he was being scammed. Mr Y also said he was aware of several others in his WhatsApp investment group who were receiving money from their investments, which would have likely further reassured him of the scheme’s legitimacy.

- As a result, I'm not persuaded a written cryptocurrency investment scam warning setting out the key features of these scams or advising further research into the broker would've likely prevented Mr Y from making further payments. I therefore do not consider Lloyds can fairly or reasonably be held liable to failing to intervene or provide such a warning in these circumstances.
- I appreciate Mr Y considers he was vulnerable as he suffers from Bipolar disorder. I appreciate how this could have impacted his decision making at the time. But I've not seen any evidence that Lloyds would have been aware of this, or that he had asked it to place restrictions on payments being made from his account. Even if Lloyds was aware of his vulnerabilities and had called him to ask questions or warn about the payment, I'm not persuaded it would have likely prevented the scam in any event, for the reasons I've outlined above.
- I also don't think there was anything more Lloyds could have done to recover the money after Mr Y reported the fraud, as we know that the receiving account was controlled by Mr Y, and that he had already transferred the funds out of this account and on to the scammer.

I appreciate this will likely come as a disappointment to Mr Y, and I'm sorry to hear he has fallen victim to a cruel scam. However, I'm not persuaded Lloyds can fairly or reasonably be held liable for his loss.

My final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 15 April 2024.

Jack Ferris
Ombudsman