

The complaint

Mr K is unhappy that Lloyds Bank PLC hasn't refunded him after he fell victim to a scam and sent money to an account held by one of its customers. He questions whether it conducted proper checks at account opening, and whether it monitored the account properly.

What happened

Mr K fell victim to a scam in August 2021 and sent a total of £3,178 to an account held at Lloyds. He reported this scam to Lloyds in June 2023.

Lloyds responded to Mr K's complaint and said there was nothing it could do. It said there was no money to return, that the account had been opened properly, and that there'd been nothing to alert it to any suspicious activity.

Mr K was unhappy with Lloyd's response believing more should have and could have been done. He referred his complaint to our service and Mr K was given an answer by one of our investigator's. She didn't recommend the complaint be upheld, finding Lloyds hadn't made a mistake.

Mr K has asked that an ombudsman review the complaint and issue a final 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.

I'm sorry to disappoint Mr K but I'm unable to uphold his complaint. I'm not saying he hasn't lost out here or that he wasn't the innocent victim of a scam. But I can't see that Lloyds has acted unfairly or unreasonably and so I can't say it must reimburse his loss.

My findings here will be very similar to those issued by our investigator. I want to assure Mr K I have carried out a full and independent review of his complaint.

It is the case that there are limitations on how much I can say about the receiving account and my investigation into it. I know this will be both disappointing and frustrating for Mr K, but I must consider how much I can share for data protection reasons.

Banks and Building Societies have long-standing obligations to ensure accounts aren't opened or being used fraudulently.

In this case Lloyds has also signed up to the Lending Standards Board's voluntary Contingent Reimbursement Model (the CRM Code). The CRM Code was implemented to reduce the occurrence of APP scams. It sets out what is expected of the 'Sending Firm' and 'Receiving Firm' when payments are made or received.

In summary, the obligations for the receiving firm include;

- Take reasonable steps to prevent accounts from being used to launder the proceeds of APP scams.
- Have procedures to prevent, detect and respond to the receipt of funds from APP scams; and
- Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

Taking this into account, I've looked at whether Lloyds opened the receiving bank account correctly, whether there was anything in the way the account was being used that should have given Lloyds any cause for concern and finally; once notified of fraud did it act appropriately and in a timely manner or could it reasonably have done anything more to prevent or limit the loss.

Did Lloyds carry out sufficient checks when opening the account?

I'm satisfied Lloyds did what was required of it when opening the account Mr K sent funds to. It carried out a suitable level of Know Your Customer (KYC) and identification checks in the circumstances. And there doesn't appear to have been anything about the account application that ought to have been identified as unusual or that would suggest the account might be used for fraudulent purposes.

Was there anything about the activity on the account that ought to have appeared unusual or suspicious?

I can see the account had been operating normally, and without any sign of anything untoward, for a long time before Mr K paid his money to it. Even when Mr K made payments to the account, there still wasn't anything to mark the activity out as suspicious.

Indeed, the account seems to have still been operated without issue for some years after Mr K made the payments, with him not reporting them until nearly two years later. There appear to have been no other reports of a scam either before Mr K made his payments or right through to the time he reported the scam himself. And so there were no overt notifications provided to the bank that ought to have caused it alarm.

Did Lloyds act quickly enough once notified of the scam?

When a scam is reported it's important a bank or building society move quickly to try and secure any of the victim's funds that might remain in the account. But in Mr K's case he didn't report the scam for around two years. And as such the funds had long since been removed.

That means, even if Lloyds had determined Mr K had been the victim of a scam, it wouldn't have been able to return his money. It simply wasn't there to be passed back to him.

Lloyds did otherwise respond to and investigate Mr K's scam claim and subsequent complaint in the manner I'd expect.

Conclusions

I know Mr K has had another complaint with us, against his own bank, from where the funds were sent. In that complaint we concluded it was more likely than not Mr K had a civil dispute with the account owner. That does appear to be reflected by the information and evidence

held for this complaint. But, even if Mr K was indeed the victim of a scam, I can't see there was anything that ought to have put Lloyds on advance notice of that risk. And there's no basis on which I can fairly and reasonably say it should refund his loss.

My final decision

I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 30 July 2024.

Ben Murray
Ombudsman