DRN-5013205

## The complaint

Mrs O has complained that Lloyds Bank PLC ("Lloyds") didn't protect her from falling victim to an investment-related scam.

## What happened

The background of this complaint is already known to both parties, so I won't repeat all of it here. But I'll summarise the key points and then focus on explaining the reason for my decision.

Mrs O has used a professional representative to refer her complaint to this service. For the purposes of my decision, I'll refer directly to Mrs O, but I'd like to reassure Mrs O and her representative that I've considered everything both parties have said.

Mrs O explains that she came across an investment opportunity ("the scam") whilst watching a video online about the supposed investment company. She's explained that after doing some research on the company, she got in touch with it and ultimately begin investing in several different industries such as foreign exchange, cryptocurrency and commodities. Mrs O says the investment company had a heavy presence in the investment market and held large investment-related events which persuaded her that it was genuine. The payments Mrs O made from her Lloyds account related to the scam were for £1,000 in May 2022 and £5,000 in October 2022.

Mrs O says that she began investing as her husband's ill health had led to some financial worry and she was therefore looking to make a return on her savings in case he was unable to work any longer. She says the payments made in relation to the scam represent a large part of the savings she held.

Mrs O says she was convinced to invest after being shown evidence of other investors allegedly more than tripling their initial investment in just over a year. In order to invest she sent funds to her own account with another payment service provider, and then on to a cryptocurrency wallet held by an individual linked to the scam. She explains she could see the deposits in her investment account, and towards the start of the scam she was able to withdraw a small amount of her profits. She explains that after several months' time restrictions were imposed on when she was able to make withdrawals, and this culminated in her being unable to make any withdrawals at all.

Mrs O realised she'd been scammed when the scam was uncovered in the media as a Ponzi scheme.

Mrs O made a complaint to Lloyds, in which she said it failed to contact her to question the unusually large payments she was making. Lloyds didn't uphold the complaint, as it didn't think Mrs O carried out sufficient checks before making the alleged investment. Mrs O wasn't happy with Lloyds' response, so she referred her complaint to this service.

Our investigator considered everything and didn't think the complaint should be upheld. He explained that he didn't think the transactions were so out of character that Lloyds should've been concerned that they might've been being sent as part of a scam.

As Mrs O didn't accept the investigator's opinion, the case has been passed to me to make a 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 Mrs O but having considered everything I'm afraid I'm not upholding her complaint, broadly for the same reasons as our investigator, which I've set out below.

In broad terms, the starting position is that a firm is expected to process payments and withdrawals that its customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And in this case it's not in question whether Mrs O authorised these payments from leaving her account. It's accepted by all parties that Mrs O gave the instructions to Lloyds and Lloyds made the payments in line with those instructions, and in line with the terms and conditions of Mrs O's account.

But that doesn't always mean that the business should follow every instruction without asking further questions or intervening to ensure requests coming from their customers are firstly genuine, and secondly won't result in harm.

I've firstly considered the payees of the payments in question. The first payment, for £1,000, was made to Mrs O's husband's account – presumably before purchasing cryptocurrency which was then forwarded on to the scammer. The second payment, for £5,000, was sent to Mrs O's own account with a different payment provider. This was again presumably before Mrs O purchased cryptocurrency to send to the scammer.

Having considered the first payment, I don't think Lloyds was wrong not to ask any questions or intervene in any other way before it was sent. Having reviewed Mrs O's account transactions I can see that she'd previously made several payments to her husband's account. In addition, the amount of £1,000 wasn't so unusual that Lloyds should've been suspicious that Mrs O was at fisk of financial harm, or that something unusual was happening. I should note that from everything I've seen I'm satisfied that the payment was sent to Mrs O's husband as he was also scammed, as opposed to being part of the scam, and I understand he is pursuing this separately.

Turning to the second payment, this payment was made to Mrs O's own account held with a different provider. Lloyds hasn't been able to provide confirmation what questions it asked Mrs O, or warnings it showed her, due to the time that has passed since the payment was made. But that's reasonable, as it's been almost two years since the payments took place. With this in mind, as a starting point, I've assumed that Lloyds didn't intervene at all.

Although Mrs O's other account was created as a new payee, I don't think that alone means Lloyds should've intervened. I think it's fair that Lloyds treated the payee as one that Mrs O trusted, as it was going to an account in her own name, and although I haven't seen evidence of it, I think it's likely this was verified by the Confirmation of Payee (CoP) system that was introduced in 2020.

I'm mindful that the payment of £5,000 was higher than any other payments Mrs O had made in the preceding six months, but she'd made a transaction of £2,500 a couple of months before, and I don't think £5,000 is so different that this should've caused concern to Lloyds. This, alongside the fact that the payment was being sent to Mrs O's own account, plus the fact that only one payment was made, aren't typical characteristics of a scam so I think it's reasonable that Lloyds made the payment without intervening first.

I know that the payments from Mrs O's Lloyds account didn't mark the end of the journey for the funds involved, but for the reasons I've explained, I don't think Lloyds should've done more before it sent them. And as it appears that the loss occurred when the funds left Mrs O's husband's account, and Mrs O's other account, I can't hold Lloyds responsible for what unfortunately happened in the next stage of the scam.

*Recovery of the funds*

As Lloyds wasn't made aware of the scam until around 18 months after the scam took place, and as Lloyds wasn't the point at which the funds were sent to the scammer, it wasn't able to recover the funds, and although I know it'll be disappointing for Mrs O, I think that's a reasonable explanation.

I'm very sorry that Mrs O has fallen victim to this scam and I do understand that my decision will be disappointing. But for the reasons I've set out above, I don't hold Lloyds responsible for that.

**My final decision**

I don't uphold Mrs O's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 25 October 2024.

Sam Wade
**Ombudsman**