

The complaint

Mrs W complains that she fell victim to a rogue trader scam, but Lloyds Bank PLC won't refund the payments she made.

What happened

In December 2022 and January 2023 Mrs W made four faster payments totalling £7,822.16 to a sole trader electrician. Mrs W says the electrician never did the work he was paid to do and then stopped responding to any of her calls, texts or emails. She says the bank ought to have been more helpful, and it never asked any security questions when she made the payments.

Lloyds rejected Mrs W's claim for a refund, made on 10 February 2023. It said the electrician completed some work, and this brought to light further work was needed. Whilst Mrs W is unhappy with how the work progressed, the cost escalation and the fact she needed to employ a second electrician it disagrees this was a scam. Rather it should be progressed as a civil dispute so it is under no obligation to refund the money.

Our investigator did not uphold Mrs W's complaint. He said, on balance, the evidence shows this is a civil dispute and not a scam. The electrician had attended Mrs W's property and carried out the initial work needed, albeit he needed to return to correct some issues. It seems other electrical problems were then found requiring further work and payment. The fact a full rewire has since been done by another tradesman suggests the scope of the job was larger than initially specified, and quoted for.

Mrs W disagreed with this assessment and asked for an ombudsman's review. She said she has been told the type of account she paid is used for scams and Lloyds should have been able to recognise this. Lloyds has done nothing to help her and she feels very let down.

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.

In doing so I have taken 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 relevant time.

There's no dispute here that Mrs W authorised the payments to the sole trader. Under the relevant legislation, that means she's liable for those payments at first instance. However, Lloyds was still expected to be on the lookout for payments that were unusual or out of character with the aim of preventing customers from falling victim to fraud and scams. It's also a signatory to the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. In certain circumstances, that code can entitle a customer to be reimbursed by the bank after they've fallen victim to a scam.

However, I must first consider whether Mrs W is a victim of fraud. The CRM code is explicit

that it doesn't apply to *"private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services ... but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier."*

This isn't a straightforward question to address. To be satisfied that Mrs W fell victim to fraud, I'd need to be persuaded that the electrician she hired had a settled intention to scam her. Obviously, I cannot know what was in the mind of the electrician at the time he agreed to carry out the work. So I need to infer what his intentions were based on what the available evidence tells me.

Unfortunately, I'm not convinced that the evidence shows that Mrs W was the victim of a scam. I've come to that conclusion for several reasons.

Mrs W sourced the electrician using a website for postings details of work required. After messaging via text and email he visited her property and provided a quote. The first two payments she made were for a deposit and registration of the fuse board. The electrician started work and fitted a new fuse board, there were unexpected complications due to the age of the property and this led to more work which Mrs W agreed to and paid for. The same thing happened when the electrician returned to the property and raised the floorboards to access the electrics. So whilst Mrs W was unhappy with the tradesman, there was clearly work completed – I am not assessing to what standard. When he said he needed further payment for more materials Mrs W declined to progress this work and later appointed a different electrician.

I think it is reasonable to conclude this is a civil dispute based on these facts. The electrician attended as expected and carried out work, discovering as he did that other remedial work was needed. This is credible in an old property. Mrs W has confirmed she subsequently had the property re-wired suggesting the electrics needed significant work which, legitimately, might not have been visible when the electrician first quoted. Mrs W says the second electrician told her the first had not done the work properly. But that in itself is not grounds to conclude it was a scam, more likely it seems he was less competent than the second tradesman making this a civil matter.

This means the provision of the CRM code do not apply. That said, I can still consider if Lloyds did what it reasonably should have to protect Mrs W from any risk of financial harm.

In the circumstances of each payment I do not find that Lloyds ought to have intervened. The first two payments of £520 and £198.27 were not out of character for Mrs W's account and I do not think they should have triggered further checks by Lloyds. And whilst payments three and four were higher in value (£3,414 and £3,689.89) they were ten and eleven days later and by then to an established payee, and did not have the typical characteristics of fraudulent activity such as being in rapid succession or draining the account.

Mrs W argues that the fact the electrician's account was at a certain electronic money institution ought to have triggered checks, but the organisation is a legitimate and authorised by the FCA (Financial Conduct Authority) so I would not have expected Lloyds to intervene solely on that basis. It follows I do not find Lloyds acted unfairly or unreasonably when it followed Mrs W's instructions and processed the four payments without completing additional checks. Lloyds doesn't have any duty or obligation to intervene in payments that are legitimate or to protect customers from the impact of a 'bad deal'.

I can see Lloyds attempted to recover Mrs W's money when she reported the matter, but by this time no funds remained in the recipient's account.

I don't say any of this to downplay or diminish what Mrs W has been through which must

have been exceptionally difficult. I sympathise with her for that and I know she will be disappointed by my decision. However, having considered all the available evidence and arguments, I'm not persuaded Lloyds can fairly be held liable for his losses in these circumstances.

My final decision

I am not upholding Mrs W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 7 December 2023.

Rebecca Connelley
Ombudsman