

The complaint

Mr R is unhappy Lloyds Bank PLC (“Lloyds”) hasn’t refunded him, in full, the money he lost after falling victim to an Authorised Push Payment (“APP”) car purchase scam.

What happened

The details of this case have been clearly set out by our Investigator. As such, the facts are well-known to both parties, so I don’t need to repeat them at length here. In summary, Mr R fell victim to a car purchase scam.

In late 2023, Mr R was looking to buy a car. A relative of Mr R forwarded him details of a car found online through a well-known social media website. Mr R spoke with the seller and agreed a price of £1,900 for the car and a £125 delivery fee. Mr R received an invoice from the transport company that was delivering the car and on 6 October 2023 transferred £2,025 to the details provided.

Sadly the car never arrived, and Mr R realised he had fallen victim to a scam.

Mr R contacted Lloyds to report the matter and to see if it could recover or reimburse his funds.

Lloyds asked Mr R to go into branch to instigate the scam claim. Lloyds subsequently contacted the Receiving Firm (the beneficiary bank where the funds had been sent to), but unfortunately no funds remained and so there was nothing to return to Mr R.

Lloyds also considered whether Mr R was due a refund of the funds he lost. Lloyds considered the case under the Lending Standards Board ‘Contingent Reimbursement Model’ (“referred to as the CRM Code”) which it is a signatory of.

The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Lloyds investigated Mr R’s fraud claim and reimbursed Mr R 50% of his losses (£1,012.50).

Lloyds didn’t agree that it was liable to reimburse Mr R in full for the funds he had sent as it said one or more of the exceptions to reimbursement applied in this case. In summary this was because it didn’t consider Mr R had reason to believe the goods or seller were legitimate and it said it felt Mr R didn’t take enough steps to check the purchase was genuine.

However, Lloyds didn’t consider it had met its standards under the CRM Code as it incorrectly referred Mr R in branch when it had enough information to log his scam claim when he had originally called in. So it considered it caused an unnecessary delay and therefore offered to share liability for the loss.

Unhappy with Lloyds' response, Mr R brought his complaint to this service. One of our Investigator's looked into things and thought Lloyds offer to refund Mr R 50% was fair as they considered that Mr R should share some responsibility for his loss. In short, they agreed that Mr R had acted without a reasonable basis for belief when making the payment. They considered the price of the vehicle was too good to be true and ought to have given Mr R a cause for concern that all wasn't as it seemed.

Mr R didn't agree with the Investigator's opinion and so the complaint has been passed to me for 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.

First, to clarify, this decision focuses solely on the actions of Lloyds – as the Sending Firm from which Mr R made his payment / transfer. Mr R has referenced his concerns that an account in the UK was allowed to receive fraudulent funds. If Mr R is unhappy with the beneficiary bank, he would need to raise his concerns to that bank in that first instance.

I'm sorry to disappoint Mr R, but I'm not upholding his complaint. I know he's been the victim of a cruel scam and I don't doubt that these events have had a significant impact on him. But I don't believe Lloyds has acted unfairly or unreasonably in its answering of the complaint. And I think its offer to refund Mr R 50% of his loss is fair. I'll explain why.

There's no dispute that Mr R authorised the payment that is the subject of this complaint, even though he did so as a result of being deceived by fraudsters. Broadly speaking, under the account terms and conditions and the Payment Service Regulations 2017, he would normally be liable for it. But that isn't the end of the story.

Where a customer has been the victim of a scam it may be appropriate for the bank to reimburse the customer, even though payments have been properly authorised. Of particular relevance to the question of what is fair and reasonable in this case is the CRM Code.

The CRM Code requires Firms to reimburse customers who have been the victims of APP scams like this, in all but a limited number of circumstances. Under the CRM Code, a Sending Firm may choose not to reimburse a customer if it can establish that*:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning.
- The customer made payments without having a reasonable basis for believing that: the payee was the person the Customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

**Further exceptions outlined in the CRM Code do not apply to this case.*

In this case, Lloyds accepted 50% liability of Mr R's claim to acknowledge its failings in asking Mr R to attend a branch and causing an unnecessary delay in logging the scam claim. However I think Lloyds has been able to establish that it may choose not to fully reimburse Mr R under the terms of the CRM Code. I'm persuaded one of the listed exceptions to reimbursement under the provisions of the CRM Code applies.

Taking into account all of the circumstances of this case, including the characteristics and complexity of the scam, I think the concerns Lloyds has raised about the legitimacy of the transaction Mr R made are enough to support its position that he didn't have a reasonable basis for believing the person or business with whom he transacted with was legitimate. I'll explain why.

In order to determine whether this exception to reimbursement applies, I must ask if he made the payment he did whilst having a reasonable basis for belief that all was genuine. I'm afraid I don't find that's the case having considered the price / valuation of the car.

Having reviewed our Investigators research and comments on this aspect – and considering the make, model, year and mileage, of the car in question – I agree that the price Mr R thought he was purchasing it for was significantly lower than what it typically cost. By all accounts it was undervalued by, not just hundreds of pounds but a few thousand pounds. Mr R was purchasing a car for £1,900 and from what I have seen, similar make and models are listed for around £5,000.

The price or valuation of the car is an important factor here, as I find it should have given Mr R cause for concern that it may not have been a legitimate sale. I don't think a car sales business / seller would realistically sell a car for this much under the retail value. I think the price for the car was simply too good to be true from the outset and to such an extent that it ought to have raised more than a significant doubt on Mr R's part.

The price, including delivery, ought to have led to Mr R questioning whether all was as it seemed. I think it is reasonable to suggest that Mr R could have carried out some basic research on the typical cost of the same car and that he would have seen other car dealers / traders' websites and would have reasonably known the average price for a car of that model and specification. But it doesn't appear Mr R asked any questions around the price being what it was and seemingly took the price at face value. As mentioned, the average price for that make and model was far higher than £1,900, and to my mind stood out as too good to be true. So I think the value of the car potentially posed a significant risk and that this should have led to sufficient checks being carried out to ensure that it was a legitimate sale.

I also note, after agreeing the price, Mr R was asked to make payment to a personal account on the invoice he received from the transport company. He was then provided a further invoice with the details of another personal account that it wanted the payment being made to. So, he wasn't paying into a business account in the name of the company, and then had been provided with the details of two different personal accounts. The invoices were also sent from a Gmail account – and not from a business account. These things, to my mind, also ought to have raised some concerns around the legitimacy of the seller.

Overall I think there were some warning signs here, and Mr R needed to approach the purchase with considerable caution to ensure that the vehicle actually existed and that he was dealing with a legitimate seller.

So, I think Lloyds can fairly rely on one of the exceptions to reimbursement – that Mr R made the payment without a reasonable basis for believing that the payment was for genuine goods or services or that the person or business with whom he transacted with was legitimate.

I have also considered whether Lloyds did all it could to try and recover the money Mr R lost. Lloyds was limited in terms of what it could do here; it could only ask the Receiving Firm to return any money that remained in the recipient account. It needed to make enquiries quickly for the best chance of recovery.

Mr R reported the matter around seven days after he had made the payment (due to him waiting on the supposed delivery). Unfortunately, it is common for fraudsters to withdraw or move the money on as quickly as possible. And here Lloyds received a response from the beneficiary bank that no funds remained, so there was nothing more Lloyds could do. But Lloyds acknowledged that it incorrectly referred Mr R to go into branch – when it could have logged the scam claim over the telephone. So, it offered 50% of the loss as a result of the unnecessary delay it caused.

With all of this in mind, while I am sorry that Mr R fell victim to a scam, I don't find that Mr R ought to have held a reasonable basis for believing the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate. So I consider it was fair for Lloyds to reimburse Mr R 50% of his claim under the CRM Code – with Mr R sharing some responsibility for the loss also.

My final decision

For the above reasons, I don't uphold this complaint. Lloyds Bank PLC's offer to refund Mr R 50% of his loss under the CRM Code is fair, and I don't direct it to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 22 November 2024.

Matthew Horner
Ombudsman