

## The complaint

Mr Q complains that Lloyds Bank PLC won't refund the money he lost when he was the victim of what he feels was a scam.

## What happened

In late 2020, Mr Q was looking for an investment to help improve the financial position he'd be in at retirement. He was contacted by someone who said they worked for an investment management company and told him about an opportunity to invest in a bond being offered by a finance company. And as Mr Q was happy with what he was told about the bond, he then made a number of payments from his Lloyds account to invest.

The payments Mr Q made appeared to go through the investment management company, before being passed on to the finance company. I've set out the payments Mr Q made from his Lloyds account below:

| Date            | Amount  |
|-----------------|---------|
| 6 November 2020 | £3,000  |
| 27 April 2021   | £1,000  |
| 27 April 2021   | £17,000 |

Mr Q received some of the returns he was told he would receive from the bond. But he didn't receive the returns he was expecting in December 2021 and then found out both the investment management company and the finance company had gone into liquidation. So he reported the payments he had made to Lloyds as a scam and asked it to refund the money he had lost.

Lloyds investigated but said it felt the finance company was a genuine company that had failed. So it said this was a civil dispute between it and Mr Q, rather than a scam, and didn't agree to refund the payments Mr Q had made. Mr Q wasn't satisfied with Lloyds' response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think the evidence available demonstrated that Mr Q had been the victim of a scam. So they didn't think Lloyds should have to refund the money he had lost. Mr Q disagreed with our investigator, so the complaint has been passed to me.

## 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 broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may

sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

Lloyds is a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This requires firms to reimburse customers who have been the victim of certain types of scams, in all but a limited number of circumstances. But customers are only covered by the code where they have been the victim of a scam – as defined in the code.

The relevant definition of a scam from the CRM code is that the customer transferred funds to another person for what they believed were legitimate purposes but were in fact fraudulent.

The CRM code also says it doesn't apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way or the customer is otherwise dissatisfied with the supplier.

So in order to determine whether Mr Q has been the victim of a scam as defined in the CRM code I need to consider whether the purpose he intended for the payments was legitimate, whether the purposes he and the finance company intended were broadly aligned and then, if they weren't, whether this was the result of dishonest deception on the part of the company.

From what I've seen and what he's told us, I'm satisfied Mr Q made the payments here with the intention of investing in a bond with the finance company. And I haven't seen anything to suggest that Mr Q didn't think this was legitimate.

But I'm not satisfied the evidence I've seen shows that the finance company intended a different purpose for the payments, or that Mr Q's and the finance company's purposes for the payments weren't broadly aligned.

From what I've seen, the communication Mr Q received from the finance company appears to have been relatively professional. The way he was told the investment would work doesn't appear to have been suspicious. The returns he was told he could receive don't appear to have been too good to be true. And he was sent a bond certificate confirming his investment after the payments he made – which I wouldn't necessarily expect of a scammer.

Mr Q also received the returns he was expecting from the investment for some time, including two payments a number of months after the final payment he made towards the investment. But I wouldn't necessarily expect a scammer to continue paying returns on an investment for so long, or to pay such significant returns back, if their intention was to steal the victim's money.

The finance company was also registered on the government's register for limited companies, and had been for a number of years before the payments Mr Q made here. And it was also, at least at some point, registered and authorised by the financial services regulator.

Since Mr Q stopped receiving returns, the finance company has appointed formal liquidators and is currently going through the formal process of being wound up – which I wouldn't necessarily expect of a scam company. And I've not seen anything from the liquidators of the finance company which suggests it was operating a scam or that any money it received wasn't invested in the way investors were told it would be.

I also haven't been provided with evidence of any investigation by an external organisation which concludes that the finance company was operating a scam.

So I'm not persuaded that the available evidence is sufficient to safely conclude that the purpose the finance company intended for these payments was different than the purpose Mr Q intended. And so I don't think the circumstances here meet the definition of a scam, or that Lloyds has acted unreasonably in not agreeing to refund the money Mr Q lost from these payments as a result.

It's possible that material new evidence may become available at a future date, which suggests that the finance company did take the payments using dishonest deception. If that happens, Mr Q can ask Lloyds to reconsider his claim under the CRM code for these payments and, if not satisfied with its response, bring a new complaint to our service.

I've also considered whether anything I would have expected Lloyds to have done, outside of its obligations under the CRM code, would have prevented the loss Mr Q suffered. But even if Lloyds had identified a risk of financial harm as a result of these payments and carried out the checks I would've expected, I don't think anything it would reasonably have uncovered would have caused it significant concern. And so I don't think anything I would reasonably have expected Lloyds to do would have prevented Mr Q's loss here.

I'm sorry to disappoint Mr Q, as I know he has lost a significant amount of money. But I'm not satisfied that I can fairly ask Lloyds to refund him based on the evidence that is currently available.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Q to accept or reject my decision before 28 March 2025.

Alan Millward  
**Ombudsman**