DRN-4948159

The complaint

Mr and Mrs R complain that Lloyds Bank PLC didn't do enough to protect them when they made a payment to a property investment opportunity that they now consider was a scam.

What happened

Mr and Mrs R made a £100,000 payment in April 2019 from their Lloyds account towards a property development investment with 'H'. Mr and Mrs R received some returns, but not the returns they expected, and H went into administration in January 2022. They now say the investment wasn't genuine and that they are the victims of a sophisticated scam.

Mr and Mrs R complained to Lloyds in January 2024, but it didn't uphold their complaint. It said there was no evidence H was fraudulently set up and instead it was a firm that had unfortunately run into financial difficulty. And that no warnings it gave would've prevented Mr and Mrs R investing at the time.

Mr and Mrs R were unhappy with Lloyds's response and brought a complaint to this service. Our Investigator didn't uphold their complaint as they said they hadn't seen sufficient evidence this was a scam.

Mr and Mrs R disagreed and maintain that their complaint should be upheld. They say that Lloyds failed to comply with PAS 17271:2017 (the PAS Code) and FCA Principle 6. They've said Lloyds should've asked to see correspondence with H and considered the delay in H filing accounts. Mr and Mrs R have explained why they think H was operating a scam and a Ponzi scheme. In particular, Mr and Mrs R have referred to high commissions of as much as 35% paid to introducers and to high interest rates of up to 18%. And they say Administrators for H haven't offered any conclusions on the inter group transactions that are being investigated and certainly haven't concluded there was nothing irregular going on. So, Mr and Mrs R confirmed they wanted an Ombudsman to reconsider their case.

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.

Taking into account the law, regulations, guidance, standards, codes, and industry practice I have referred to above, (including the PAS Code), Lloyds should have been on the look-out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (amongst other things). And, in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment.

Mr and Mrs R made one large payment in branch to H. Given the value of this payment, £100,000, and Mr and Mrs R's previous account usage, I accept Lloyds ought to have asked some questions about the purpose of the payments to understand better what they were doing, alongside providing a scam warning to them. As we don't hold detailed notes from the time, I don't know if the branch staff did cover everything I'd have expected. However, I don't consider that proportionate conversations would've changed Mr and Mrs R's decision to invest.

I'm not persuaded the kind of information I'd expect Lloyds to have shared/discussed with Mr and Mrs R would've prevented the payments from being made. H was a legitimately registered company at the time they paid into it and there wasn't anything in the public domain at the time to suggest Lloyds should've been concerned that Mr and Mrs R might be falling victim to a scam. Many of the points Mr and Mrs R have raised didn't come to light until later and so this doesn't change my outcome, as Lloyds wouldn't have been aware what would happen with how H would be run or with regards to Mr and Mrs R's loss now.

Mr and Mrs R have provided us with some of the promotional literature for the investment with H. It's persuasive and comprehensive information for investors which sets out how it operates, and the returns expected. It seems highly unlikely that a conversation with Lloyds would've prevented Mr and Mrs R going ahead with the investment when they held this information. And there also wasn't anything obviously concerning about H available at the time of the payment.

I haven't seen information that indicates Lloyds ought to have stopped the payment to H at the time Mr and Mrs R made it, or that anything it shared would've prevented them from going ahead. And Lloyds wasn't required to provide Mr and Mrs R with investment advice as part of processing this payment, for example, to go through H's finances in the way it's been suggested by Mr and Mrs R's representative.

I appreciate Mr and Mrs R are now in a position where they've lost out financially due to this investment. But I don't consider their loss is the result of any failings by Lloyds.

My final decision

For the reasons set out above, I don't uphold Mr and Mrs R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 5 May 2025.

Amy Osborne
Ombudsman