

Complaint

Mr A is unhappy that Lloyds Bank PLC didn't reimburse him after he reported falling victim to a scam.

Background

The background to this case is well known to the parties, so I don't intend to set it out in full here. By way of summary, in mid-2019 Mr A was offered an investment opportunity in a company I'll refer to as Company A. He was told money raised from investors would be used to finance construction projects. According to Mr A's representatives, he was told he would receive between 12 and 20% as an annual return on his investment. In July 2019, he made two payments to a total value of £36,000.

A few years later, and after Company A had gone into administration, Mr A concluded that he must have fallen victim to a scam. He complained to Lloyds. It responded to him in February 2024 and explained that it wouldn't uphold his complaint. In the view of the bank, Mr A wasn't the victim of a scam, but of an investment that had gone awry. That meant that he had a private civil dispute with Company A. Since it was in administration, Lloyds said that Mr A might want to contact the administrators to see if he could claim funds as one of Company A's creditors.

Mr A didn't agree with Lloyds conclusion and so he referred his complaint to this service. It was looked into by an Investigator who didn't uphold it. Mr A disagreed with the Investigator's opinion and so the case has been passed to me to consider and come to a final decision.

Findings

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 (in this case, the 2017 regulations) and the terms and conditions of the customer's account.

However, that isn't the end of the story. Lloyds was a signatory to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code) which requires signatories to reimburse customers who fall victim to scams in all but a limited set of circumstances. In addition, good industry practice required that Lloyds be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to protect the customer. That might be as simple as providing a written warning as part of the payment process or it might extend to making contact with the customer to establish the circumstances surrounding the payment.

However, none of those obligations are engaged if I'm not persuaded that it's more likely than not that Mr A fell victim to fraud. To reach that conclusion, I'd expect (a) there to be a misalignment between the purpose for which Mr A made the payment and the purpose for which it was procured by Company A; and (b) that difference to have been due to dishonest deception on the part of Company A. The key consideration here is what the intentions were of the directors of Company A. I obviously can't know what they were for sure, so I must look at what the other available evidence shows and use that to infer what their intentions likely were.

I've carefully reviewed what both Mr A and Lloyds have told us, as well as the information available from third parties such as the company's liquidators. I haven't seen persuasive evidence that Company A never intended to carry out the development work or that it didn't attempt to do so. In fact, I've seen evidence that Company A completed at least three large-scale projects and was involved in others that were later transferred to different developers.

Overall, I'm not persuaded that the evidence shows it's more likely than not Mr A was the victim of a scam. The evidence suggests that the funds were used (at least in part) for the intended purpose of property development. I realise this will be disappointing, and I sympathise with Mr A. It's understandably upsetting to have lost a significant sum of money in circumstances like these. However, for the reasons I've set out above, I don't think it would be fair or reasonable to require Lloyds to reimburse him.

It's possible that new evidence may come to light in the future that supports the contention that this was a scam. If such material new evidence does become available, Mr A should share it with Lloyds first and ask that it consider it. If he remains unhappy, he may be able to refer a new complaint to this service.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 18 July 2025.

James Kimmitt
Ombudsman