

## The complaint

Mr A complains Lloyds Bank PLC didn't do enough to protect him when he lost money to what he believes to be an investment scam.

## What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In February 2018, Mr A invested £100,000 in a five-year secured bond offered by a company I'll refer to as 'B'. Mr A expected to receive guaranteed fixed returns of 8.5% over a five-year term. Mr A received three credit payments from B, but these stopped after April 2019.

Mr A later discovered B had gone into administration in 2020 and he believed he had been scammed. He complained to Lloyds, with the support of a professional representative (who I'll refer to as 'T'), that it ought to have done more to protect him from the risk of financial harm when he gave the payment instruction. Lloyds refused to reimburse Mr A's loss. It said B was a legitimate company and that the case concerned a civil dispute, rather than a scam.

Unhappy with Lloyds' response, Mr A referred his complaint to the Financial Ombudsman Service. Our Investigator didn't uphold the complaint. He agreed with Lloyds that there was insufficient evidence that B was operating a scam, but he concluded that even if it was he would not have expected Lloyds to have prevented Mr A's loss.

T disagreed and asked for a final decision. In brief it said:

- Lloyds was expected to take sufficient steps to protect Mr A from financial harm and that it ought to do so if there was a *risk* of financial harm, not just if a scam was proved.
- Lloyds ought to have recognised Mr A's large payment to a new payee could indicate he was at risk of financial harm from fraud. And the fact that Mr A had previously made a comparatively large payment related to a property purchase, should not be used as a benchmark of Mr A's typical account activity.
- Lloyds ought to have intervened and had it done so it would have discovered Mr A intended to invest in an unregulated collective investment scheme (UCIS), offering unrealistically high returns, following unsolicited contact from an unregulated agent who had used high pressure sales tactics to encourage him to invest.
- It disagreed there was insufficient evidence available at the time of the payment to determine B was operating a scam, and in any event Lloyds had access to more information than a layperson.
- Had Lloyds informed Mr A there was a chance B could be a scam, he would not have proceeded with the payment and would not have suffered a loss.

The complaint has now been passed to me to decide. Both Mr A and Lloyds have provided further information in response to questions I raised, the responses to which I have considered as part of my review. T has advised me that Mr A would be sending in a promotional booklet relating to B. This has yet to be received, and the deadline I set has now passed. Based on all the evidence I currently have available, I'm satisfied I can fairly reach a conclusion on Mr A's complaint without having sight of the promotional booklet.

### **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.

T has made extensive submissions in support of this complaint. I'm very aware that I've summarised Mr A's complaint and the relevant submissions briefly, in much less detail than has been provided, and in my own words. No discourtesy is intended by this.

Instead, I've focussed on what I think is the heart of the matter here. Therefore, if there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I consider is the right outcome. Our rules allow me to do this, reflecting the informal nature of our service as a free alternative to the courts.

As such, the purpose of my decision isn't to address every single point raised. My role is to consider the evidence presented by the parties to this complaint, and reach what I think is an independent, fair and reasonable decision, based on what I find to be the facts of the case.

Having done so, I'm not upholding this complaint and for largely the same reasons as our Investigator. I know this is not the answer Mr A was hoping for and so this outcome will come as a disappointment to him. I'm really sorry to hear that Mr A has lost a considerable sum of money. I can understand why he would want to do all he can to recover his loss. But for the reasons I'll go on to explain, I don't think Lloyds has acted unfairly or unreasonably in refusing to reimburse him his losses.

It appears to be accepted by all parties that Mr A properly authorised the payment from his Lloyds account. Under the Payment Services Regulations 2017, Mr A is presumed liable for payments he has properly authorised from his account.

There are however circumstances where, taking into account longstanding regulatory expectations and requirements, and what I consider to be good industry practice, banks ought to have made additional checks before processing payments if it had reason to suspect that its customer was at risk of financial harm from fraud.

Not every complaint referred to us as a scam is in fact a scam. And it is for Mr A to demonstrate that he has lost money to a scam, rather than Lloyds to disprove this point.

The Financial Conduct Authority (FCA) Glossary defines an authorised push payment fraud as:

*“a transfer of funds by person A [in this case Mr A] to person B [in this case B], other than a transfer initiated by or through person B, where:*

*(1) A intended to transfer the funds to a person other than B but was instead deceived into transferring the funds to B; or*

*(2) A transferred funds to B for what they believed were legitimate purposes but which were*

*in fact fraudulent.”*

There has been no suggestion that Mr A's payment was in some way misdirected or that he paid someone other than who he expected to pay money to. So, the relevant consideration is whether Mr A transferred funds for what he believed to be legitimate purposes, but which were in fact fraudulent.

Based on the evidence available to me, it appears Mr A intended to purchase a bond, the funds from which would be invested into property developments. He expected to receive an 8.5% return on his investment, paid in quarterly interest payments, over the five-year term. The paperwork Mr A received appeared to be professional and legitimate, and B was listed on Companies House as being incorporated since July 2016. So, I see no reason why Mr A would not have thought this was a legitimate investment.

I've gone on to consider whether B's intended purpose for the payment aligned with what Mr A intended, or whether there is any evidence to support B was acting fraudulently.

While T has alleged that B was operating a Ponzi scheme, it has not provided any convincing evidence to demonstrate this was in fact the case. I'm aware there has been a lot of media coverage about the collapse of B and it is evident that investors have lost a considerable sum of money because of B's collapse. But this is not enough in itself to demonstrate that B was operating fraudulently.

A Research Briefing published by the House of Commons Library confirms that B invested £46 million – a similar sum to what has been widely reported as the loss to investors - into 11 different property developments. It therefore appears that B was, at least on the face of it, acting as investors expected – using investors pooled funds to purchase property. This does not support a conclusion that B was acting fraudulently.

T has said that the investment Mr A entered into was clearly a UCIS. It has argued that Lloyds ought to have been concerned that the investment had been promoted to Mr A, who was not a sophisticated investor or high-net-worth individual, by an unregulated agent in an unsolicited manner. While the FCA did later impose a ban on the mass marketing of speculative mini-bonds, that ban wasn't in place in February 2018 when Mr A made this payment - the ban was announced in November 2019 and took effect from January 2020. So, whether B was offering a UCIS or not, does not demonstrate that it was a scam, or that B was acting fraudulently.

T has also argued that Mr A was promised “*guaranteed returns*”, that the investments were low risk and that capital would be safe. But that this was not true, as shown by Mr A's subsequent loss. Mr A has provided evidence to show that his investment was registered with a Capital Protection Scheme, which he understood meant his capital was not at risk. It's unclear if Mr A has specifically made a claim against the Capital Protection Scheme, and if so, why he has been unable to reclaim his capital through it. I do not know the specific terms and conditions that applied to the scheme. But without knowing more, the fact that Mr A has lost money, does not demonstrate that the underlying investment was fraudulent. I think it is also relevant to note that an archived view of B's website from around the time of Mr A's payment states that “*Capital is at Risk*”. I'm also mindful the FCA concluded that financial promotions of B were “*largely accurate and contained very relevant risk warnings to consumers*”.

I have also paid particular attention to the official organisations that publish warnings about fraudulent merchants operating in the UK and abroad, I can't see any regulator warnings being published about B prior to or since Mr A's payment. I think it is also significant that the Financial Conduct Authority ('FCA') confirmed in February 2025 that it would not commence

a criminal investigation into B. Which again does not support a conclusion that B was acting fraudulently.

But even if Lloyds had intervened in Mr A's payment, as T suggests it should have, I'm unable to reasonably conclude that a proportionate intervention at that time would most likely have led to Mr A choosing not to make the payment to B.

I appreciate T considers Lloyds ought to have been concerned that Mr A had been recommended a UCIS, which offered a high rate of return, and what on the face of it appeared to offer guaranteed returns (although as I have set out above the website make it clear that capital is at risk). I accept this may have led Lloyds to make further enquiries. But even if it had, based on the publicly available information at the time, any further enquiry by Lloyds wouldn't have revealed that Mr A's payment was part of a fraud or scam. And Lloyds had no obligation to protect its customers from potentially risky investments.

Noting also that there were no regulatory or other warnings about B at this time, I'm not persuaded that had Lloyds provided a general warning about investment scams it would have made a difference, as there was nothing at the time to suggest B was operating a scam. Instead, given Mr A would've remained of the view he was dealing with a genuine firm (albeit unregulated), I think it's most likely he would've continued to make that payment under the belief it was a legitimate investment that - as he understood - offered guaranteed fixed returns.

In summary, while I accept that B ultimately failed to deliver what was expected from the investment, I haven't seen any clear evidence that this was always what it intended. Nor have I seen compelling evidence that B planned to use Mr A's funds in a different way to what had been agreed. So having carefully considered the evidence currently available, I can't fairly conclude that Mr A has been the victim of a scam. The weight of evidence currently leads me to conclude that this was unfortunately a high-risk investment that failed. As such, there would be no grounds on which I could require Lloyds to reimburse Mr A's losses.

In saying this, I don't underestimate the impact on Mr A of the loss of such a significant sum. However, it is simply the case that I don't consider I can fairly and reasonably hold Lloyds liable for that loss.

If new material evidence about B comes to light in the future, Mr A can of course contact Lloyds and make another complaint.

### **My final decision**

For the reasons given above, my final decision is that I do not 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 24 July 2025.

Lisa De Noronha  
**Ombudsman**