

The complaint

Mrs S complains that Lloyds Bank PLC ('Lloyds') won't refund the money she lost after falling victim to a scam.

What happened

In 2023 Mrs S found a car she wanted to buy on a social media marketplace. Mrs S couldn't view the car in person and arranged for it to be delivered by the seller, who I'll refer to as H. Mrs S agreed to pay £6,455, which was the purchase price of £6,320 and a delivery charge of £135. An upfront deposit of £4,455 was required to reserve the car.

Mrs S made a payment of £4,455 to a separate company, who I'll refer to as B, on 5 July 2023.

On 11 July 2023, when the car wasn't delivered as promised, Mrs S tried to contact H, but they hung up on her and blocked contact. Mrs S realised it was a scam and called Lloyds to report it.

In the call on 11 July 2023, Mrs S says Lloyds told her she needed to pursue her claim through the small claims court. So, she lodged a claim and got a default judgement. But Mrs S hasn't been able to recover her money from H. No fraud claim was raised by Lloyds on 11 July 2023.

Mrs S reported the fraud to Lloyds again in 2024, through a professional representative.

Lloyds investigated Mrs S' claim and refunded her 50% of her loss. Lloyds say they haven't met the standards set for them under the Contingent Reimbursement Model Code (CRM Code) and are liable to refund 50%. But Lloyds declined to refund the remaining 50% saying an exception to reimbursement applies as Mrs S didn't have a reasonable basis for believing the seller or the car were legitimate. Lloyds apologised that they hadn't raised a fraud claim when Mrs S contacted them in July 2023 and paid Mrs S £75 compensation. Lloyds say they referred Mrs S to the Citizen's Advice Bureau and Trading Standards in relation to her claim against H, but didn't tell her to pursue a court case – so they aren't liable for her court fees.

Mrs S wasn't happy with Lloyds' response, so she brought a complaint to our service.

An investigator looked into Mrs S' complaint and didn't uphold it. The investigator agreed that Lloyds can rely on an exception to reimbursement, and they aren't liable for Mrs S' court fees.

Mrs S disagreed with the investigator's opinion and asked for an ombudsman to review her case. Mrs S says she completed adequate checks before paying H and the documentation looked professional and legitimate.

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 deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

In broad terms, the starting position at law is that a bank such as Lloyds is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

Lloyds are signed up to the CRM Code, which requires firms to reimburse customers who have been victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish an exception applies. In this case, Lloyds say:

- 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 service; and/or the person or business with whom they transacted was legitimate.

* There are further exceptions outlined in the CRM Code, but they don't apply to this case.

Can Lloyds rely on an exception to reimbursement?

Lloyds say Mrs S doesn't have a reasonable basis for believing the seller or the car were genuine. Having carefully considered the evidence, I'm persuaded that Lloyds can rely on this exception, for the following reasons:

- Mrs S had a contract which said that H were the sole owners of the car and payment would be made to them. But Mrs S paid a separate company (B) for the car. I can't see that Mrs S questioned why the payment wasn't being made to H in line with the sales contract.
- Mrs S was buying the car for £6,320 (plus a delivery charge), which was approximately half the market value for a similar car. Mrs S should've been concerned when the price was so low, especially as she was told the car was in mint condition, came with a warranty, and summer and winter tyres.
- Mrs S says she looked H up on Companies House and saw they were a legitimate company, and the contact information matched the invoice. However, H's nature of business was related to freight transport, not car sales. Also, it shows or explain the link between H and B.
- There are some concerning features of the sales contract Mrs S had with H. There are layout issues where sentences suddenly stop and are restarted on the next line, as well as unusual spacing. Also, there are a number of grammatical errors.

Taking all of these points into consideration as a whole, rather than individually, I'm satisfied that Mrs S should've been concerned about the legitimacy of the seller and the car. There were enough red flags that Mrs S should've done additional checks before making the payment, especially as she hadn't seen the car in person, or seen any clear evidence that the seller owned the car and had the right to sell it.

On that basis, I'm not satisfied that Mrs S had a reasonable basis for believing the seller and the car were genuine. So, Lloyds can rely on an exception to reimbursement.

Have Lloyds met the standards set for them under the CRM Code?

Under the CRM Code, where Lloyds identify an APP scam risk, they're expected to provide an effective warning.

Lloyds have already accepted that they didn't meet the standards set for them under the CRM Code and refunded Mrs S 50% of her loss as a result. So, I don't need to make a finding on this point, as they've refunded what I would've recommended.

Mrs S' court fees and the level of customer service she received

Mrs S says when she first rang to report the fraud to Lloyds, she was told that she needed to pursue the matter through the courts. As a result, Mrs S raised a claim through the small claims court and incurred fees of £205. Mrs S says Lloyds were wrong to tell her to take this action and should be liable to refund these fees.

In August 2023, Mrs S got a default judgement against H but has been unable to recover her funds.

I've listened to the call Mrs S had with Lloyds. In it, they tell Mrs S that she has a buyer/seller dispute and they are limited in what they can do to help her. They also say that Mrs S could contact Trading Standards or go through the small claims court.

However, Lloyds go on to say that the best place for Mrs S to start is by contacting Citizen's Advice Bureau who can give her free advice. When Mrs S asks for further information about the legal route, the Lloyds adviser says they don't know what is involved and Mrs S should contact Citizen's Advice who can guide her.

Based on the entirety of the call, I agree that Lloyds did suggest court action to Mrs S as a possible option, but they were also very clear that Citizen's Advice could give her free advice and legal guidance on what she should do next.

So, while Lloyds could've been clearer in the call, I'm not satisfied that I can fairly say they should be held liable for Mrs S' court fees. It's possible that Mrs S may have still chosen to take court action regardless, based on only being refunded 50% of her loss following our review of her complaint. And I'm not satisfied that I can say it's more likely than not Mrs S would have taken different action if the call had been clearer.

Taking into account the call with Lloyds and their error in not raising Mrs S' fraud claim when she first contacted them – I'm satisfied that the £75 compensation they've already paid is fair.

My final decision

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 14 July 2025.

Lisa Lowe
Ombudsman