

The complaint

Mr and Mrs S complain that Lloyds Bank PLC (Lloyds) is refusing to refund them the amount they lost as the result of a scam.

Mr and Mrs S are being represented by a third party. To keep things simple, I will refer to Mr and Mrs S throughout my decision.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mr and Mrs S were contacted out of the blue by a company I will call X about an investment opportunity in bonds which they were promised high returns of 8-12%. Having received more detailed information about the investment opportunity Mr and Mrs S decided to invest and made two separate payments of £10,000 each on 24 September 2019. One of the payments went to X directly and the other went to a separate company I will call Y.

Mr and Mrs S received credits from another company I will call Z which they say is credits from the investment, although this is not clear or supported by sufficient evidence.

Mr and Mrs S now feel that the investment was a scam and say Lloyds should have done more to protect them. Mr and Mrs S also say they are more vulnerable than others as they are both elderly and Mr S suffers from several conditions.

Our Investigator considered Mr and Mrs S's complaint and was unable to conclude that they had indeed fallen victim to a scam. Instead, our Investigator felt it was more likely that they had lost their money to a high risk failed investment.

Mr and Mrs S didn't agree with our Investigator's findings, so this complaint has been passed to me to decide.

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.

Not every complaint referred to us and categorised as an investment scam is in fact a scam. Some cases simply involve high-risk investments that resulted in disappointing returns or losses.

Certain high-risk investment traders may have promoted these products using sales methods that were arguably unethical and/or misleading. However, whilst customers who lost out may understandably regard such acts or omissions as fraudulent, they do not necessarily meet the high legal threshold or burden of proof for fraud, i.e. dishonestly making a false representation and/or failing to disclose information with the intention of making a gain for himself, or of causing loss to another or exposing another to the risk of loss (Fraud Act 2006).

In simpler terms, some merchants may have used sales and promotional methods that could be seen to be unfair by consumers considering the losses they've incurred – but this does not always amount to fraud.

I've searched the official organisations that publish warnings about merchants that operate in the UK and abroad to determine if it's likely that any of the companies involved in the payments Mr and Mrs S made were likely part of a scam.

I've searched the Investor Alerts Portal of the International Organization of Securities Commissions ("IOSCO"), the international body that brings together the world's securities regulators. And the FCA (as the UK regulator) also has its own warning list, which is in place to share alerts and insight about merchants that have been identified as potentially being fraudulent or unauthorised.

Having checked the companies involved it's my understanding that they didn't have any adverse information reported about them at the time the payments were authorised. X was a trading company that had been trading for some time and Y was struck off on the day the payments were made.

Even though Y was struck off it appears the payments made from Mr and Mrs S's account did make their way to the bonds as expected but that in September 2022 the issuer of the bonds had gone into administration. This was notified to Mr and Mrs S via a letter sent to them in September 2022 from a separate company that was a platform administrator for execution only investments.

Having carried out searches myself and looking at the evidence provided by Mr and Mrs S there are varied reviews about the companies Mr and Mrs S had mentioned being part of their investment and some negative information is available online. But I don't have enough to say they fell victim to a scam.

Mr and Mrs S also say they received credits from another company in relation to the investment that has been investigated by the police. But I don't have enough evidence to show this company was related to the investment.

Should Lloyds have prevented the payments from leaving Mr and Mrs S's account?

It has been accepted that Mr S authorised the payments that were made from Mr and Mrs S' account with Lloyds. So, the starting point here is that Mr K is responsible.

However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering. But when simply executing authorised payments, they do not have to protect customers against the risk of bad bargains or give investment advice.

The question here is whether Lloyds should have stepped in when the payments were made.

Lloyds have provided evidence of a call that took place when Mr S made one of the payments and questions were asked about the payment that was being made. According to the transcript provided by Lloyds Mr S confirmed the payment was being made in relation to an ISA with another provider and no one had asked him to move money for any other reason. Mr S has since said he cannot remember why he gave this information.

While I think the intervention provided seems proportionate to the risk associated with the payments Mr S made, as I've said above, it appears Mr and Mrs S were making payments in relation to a legitimate investment, so Lloyds was not required to protect them from making an investment that didn't result in a favourable outcome later.

The CRM code

The disputed payments were made via the method of transfer. I understand that Mr and Mrs S feel the payments should be refunded in accordance with the CRM Code. But the CRM code only applies when domestic payments (as the result of a scam) are sent to another person.

As I've outlined above, I don't have enough to say Mr and Mrs S fell victim to a scam and therefore the CRM code would not apply.

I have considered what Mr and Mrs S have told us about them being more vulnerable than others, but I haven't seen evidence to suggest they were not capable of making financial decisions at the time the payments were made so this has not had an impact on my decision.

Overall, I think it's most likely that Mr and Mrs S have made an investment that has unfortunately not worked out in their favour. As I've explained above Lloyds has no responsibility to refund Mr and Mrs S in such circumstances, and it is not responsible for their loss.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mr S to accept or reject my decision before 9 May 2025.

Terry Woodham
Ombudsman