

The complaint

Mrs A complains that Lloyds Bank Plc hasn't reimbursed payments she sent to a scam investment firm.

What happened

Mrs A was introduced to an investment opportunity by a work colleague with 'H'. They introduced her to someone else who had a closer relationship with H, as they couldn't fully explain the investment themselves. Between late 2021 and early 2022, Mrs A sent the majority of funds to H via another firm but also sent one payment to the wife of the person she was introduced to, to invest on her behalf.

Mrs A realised she'd been scammed by H and asked Lloyds to reimburse her under the Contingent Reimbursement Model (CRM) code (or "the Code"). Lloyds didn't reimburse Mrs A or uphold her complaint about this. It said she was covered by the Code for her payments, but an exception to reimbursement applied.

Mrs A brought her complaint to our Service, but our Investigator agreed that she wasn't due reimbursement. Mrs A asked for an Ombudsman to reconsider her 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.

In broad terms, the starting position at law is that a business is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account.

However, in some situations, taking into account the law, regulations, guidance, standards, codes, and good industry practice, businesses such as Lloyds shouldn't have taken their customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Where the consumer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the consumer even though they authorised the payment.

Of particular relevance to the question of what is fair and reasonable in this case is the Lending Standards Board's CRM Code, which Lloyds has signed up to. As Mrs A made all her payments toward the investment with H after the CRM Code came into force, I've considered if she is due any reimbursement under it. Lloyds accepts Mrs A's payments are covered by the Code.

While the CRM Code offers considerable additional protection to the victims of an APP scam, it doesn't mean that a customer will be reimbursed every time. The Code includes an exception to reimbursement where the customer made a payment without a reasonable

basis for believing they were paying for genuine goods or services; dealing with a legitimate person or business; or paying the person they believed they were paying.

Lloyds says this exception applies here. It says Mrs A made this payment without holding a reasonable basis for believing she was dealing with a legitimate business or that this was a genuine investment. It thinks this because Mrs A explained she didn't carry out her own checks and shared she thought this opportunity could be too good to be true. So I've considered whether it would be fair for Lloyds to rely on this exception here.

I've considered how Mrs A was introduced to this scam and that it would be persuasive to hear that a friend recommended this opportunity. But I also have to factor in what Mrs A shared with Lloyds – which included that her friend wasn't able to explain the opportunity clearly, so referred her to someone else who she didn't personally know and had never met. And Mrs A also told our Service she found concerning reviews about H online when she did do some research into the opportunity.

I understand that having a personal recommendation and then seeing your money grow on a platform could've been persuasive. But I think Mrs A ought reasonably to have taken some independent steps to check what she was being told before parting with her funds.

Mrs A has described having very little paperwork or evidence of the investment, bar access to her account. And I think she should've been concerned her friend was recommending but couldn't explain the investment. She has also admitted not knowing why the money was sent via another firm to H. When she found the negative information online, she should've looked for a clear and detailed explanation for this. I can't say that speaking to her friend and someone who was likely working with H was enough to satisfy the concerns she ought to have had, but she sent further funds.

I also know that there were several concerning articles about H by the time Mrs A invested, so due diligence before investing should've revealed more than a few negative reviews.

Overall, while I've carefully considered everything Mrs A has said about why she went ahead with the investment and was persuaded it was genuine, on balance it is my finding that she made her payments without having a reasonable basis for belief in this opportunity. Due to this, Lloyds is entitled to rely on the above exception to reimbursement under the terms of the CRM Code.

The CRM Code sets out standards that firms are also required to meet, but they apply when the firm should reasonably have identified an Authorised Push Payment (APP) scam risk. Looking at the value of the payments made, Mrs A's account history and who they went to, I wouldn't have expected Lloyds to have identified such a risk with any of the scam payments. So it wasn't required to provide Mrs A with an 'Effective Warning' under the CRM Code. The payments are generally lower value, spaced out and there wasn't a warning about the firm she paid at the time. So Lloyds hasn't failed in its standards by not doing so.

Overall, I'm satisfied that Lloyds was entitled to consider there was no apparent APP scam risk here. So, I'm not persuaded that it needed to provide Mrs A with an Effective Warning as per the Code. And I haven't identified any other reason why Lloyds ought to have contacted Mrs A about the scam payments before processing them. As an exception to reimbursement then also applies, as Mrs A didn't have a reasonable basis for belief, Lloyds doesn't need to reimburse Mrs A any of the lost funds.

Lloyds has set out that it did attempt to recover Mrs A's funds, but we're not aware anything remained. Considering the time passed between the scam and the payments, this is not surprising, and I wouldn't have expected successful recovery.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 13 June 2025.

Amy Osborne
Ombudsman