

The complaint

Mr and Mrs H complain that Lloyds Bank PLC (“Lloyds”) won’t refund the money they lost when they sent a payment to an investment they now believe to have been a scam.

The complaint has been brought via a representative. For ease, I’ll refer to Mr and Mrs H, even where comments or submissions have been made on their behalf by the representative.

What happened

In November 2018, Mr and Mrs H made a payment from their Lloyds account of £10,000. They believed this money was for an overseas property development company, who I’ll refer to as ‘G’.

However, G seemingly didn’t make any interest payments or capital returns to any investors from around mid-2019. And Mr and Mrs H have said they didn’t receive any payments.

Mr and Mrs H now believe G wasn’t operating legitimately and that they’ve fallen victim to a scam.

Mr and Mrs H complained to Lloyds in February 2024. In summary, they said that Lloyds failed to operate to the standards expected of a regulated bank, leading to their losses. They’ve said that Lloyds should have questioned them about the purpose of the payment.

Lloyds didn’t uphold the complaint. It pointed out that the payment pre-dates the Contingent Reimbursement Model (“CRM”) Code. And it considered the payment to have gone to a genuine company that failed.

But Mr and Mrs H disagreed. So they brought the complaint to our Service.

Our investigator considered the complaint. She said that, even if she thought Lloyds should have identified the payment as unusual or suspicious and contacted Mr and Mrs H before processing the payment, she wasn’t persuaded it would have made a difference. This is because, even now, investigations into G are ongoing and it’s not been determined that it was operating a scam from the outset. So, in 2018, there would have been nothing to suggest that Mr and Mrs H were at risk of financial harm. And on that basis, she didn’t think it would be fair or reasonable to ask Lloyds to reimburse the lost funds.

Mr and Mrs H disagreed and have referenced the CRM Code as the main reason for this. So the 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.

In deciding what's fair and reasonable, I'm 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.

As Mr and Mrs H's representatives should be aware, the CRM Code came into effect after this payment was made, so it isn't relevant here. And it's also not been determined that G was actually operating a scam. But, I've thought carefully about what would have been expected of Lloyds at the time. And, regardless of whether this was or wasn't a scam, with the facts before me in this case, I don't uphold this complaint – I'll explain why.

In broad terms, the starting position is that Lloyds would have been expected to process the payment that its customer authorised 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. It's not been disputed that Mr and Mrs H authorised the payment so, in the first instance, they're presumed liable for the payment.

However, I've thought carefully about whether Lloyds ought to have had grounds to suspect the payment might be connected to fraud or a scam and whether it should therefore have intervened before processing the payment. While this was a substantial sum, this wouldn't have stood out as unusually high or uncharacteristic based on payments made in recent months prior. So I wouldn't have expected Lloyds to have intervened with this payment.

Though I wouldn't have expected Lloyds to have intervened, and therefore don't think it acted in error by not doing so, for completeness I've thought about what would likely have happened if it had.

I note that there wasn't anything available in the public domain at the time that would have suggested the investment wasn't legitimate. And though G wasn't FCA regulated, I don't think this would have been particularly concerning given that this was an overseas investment opportunity. Furthermore, Lloyds wasn't required to determine the suitability of the third-party investment product. Nor was it required to conduct any research on G.

So, even if Lloyds had asked Mr and Mrs H about any research they'd conducted, or encouraged them to do so before investing, I can't see that there's anything they would have identified which would have deterred them from investing at the time. I don't think Lloyds could have uncovered information, especially through proportionate enquiry in response to a payment, that would have led to significant doubts about the legitimacy of G at that point in time. And, with that in mind, nor do I think Mr and Mrs H could have uncovered such information at the time either.

On this basis, I can't see how any reasonable intervention from Lloyds would have made a difference to Mr and Mrs H's decision to invest. And I maintain that it wasn't required to intervene. So I don't think it would be fair or reasonable to hold Lloyds liable for Mr and Mrs H's loss.

It doesn't appear that Lloyds tried to recover the funds. But it wasn't made aware of the loss until 2024 and G had already entered the process of liquidation by this time. So there would have been no reasonable prospect of success even if it had tried to.

Having considered everything, while I'm sorry that Mr and Mrs H have lost a substantial sum of money, I don't uphold this complaint.

My final decision

For the reasons given, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 20 May 2025.

Melanie Roberts
Ombudsman