

The complaint

Mrs B complains that Lloyds Bank PLC did not reimburse the funds she lost to a scam.

What happened

Mrs B made an investment with a company I'll call 'TB'. The investment was in gold and Mrs B sent £46,245 on 23 February 2022 and a further £24,725 on 1 July 2023 to an account held with Lloyds. However, soon after the final payment was made, TB said a third party had stolen money and the police had seized the bank account held with Lloyds.

Mrs B raised a scam complaint with her account provider, and they agreed to reimburse 50% of the loss. This is because they agreed they should have intervened in the payments before processing them. But they did not think Mrs B had carried out reasonable checks to ensure the investment was genuine before making the payments, so they felt she should share liability for the loss. They attempted to recover any remaining funds from Lloyds, however this was unsuccessful as none remained at the time.

Mrs B raised a complaint with Lloyds, however they declined to reimburse her further and said they felt it was more likely TB was a genuine company who had fallen on hard times, so they considered it to be a civil dispute and not a scam.

Mrs B referred the complaint to our service and our Investigator looked into it. They felt that there was not enough to say a scam had occurred and the evidence appeared to show Mrs B's funds had been used as intended. And they felt Lloyds had therefore acted reasonably when it opened the beneficiary account and did not think Lloyds were obliged to return the funds.

Mrs B disagreed with this. She pointed out that her account provider had accepted she was the victim of a scam, and the police were currently carrying out an investigation into TB. And she highlighted new rules about authorised push payment scams that came into effect on 7 October 2024 that states both sending and receiving banks will be jointly responsible to reimbursing victims of scams.

As an informal agreement could not be reached the complaint has been passed to me for a final decision.

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.

Lloyds has signed up to the Contingent Reimbursement Model (CRM) Code. The CRM Code sets out what is expected of the 'Sending Firm' and 'Receiving Firm' (in this case Lloyds) when payments are made or received.

In summary, the obligations for the receiving firm state that firms should:

- Take reasonable steps to prevent accounts from being used to launder the proceeds of Authorised Push Payment (APP) scams.
- Have procedures to prevent, detect and respond to the receipt of funds from APP scams; and
- Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

So, with this in mind, I have carefully considered Lloyds' obligations here. It should be noted that Lloyds has shared information with this Service as part of its obligations under the CRM

code which has allowed me to investigate Mrs B's complaint – though I am limited to what I

can share with Mrs B due to Data Protection laws, as this information is confidential.

However, I would like to reassure her that I have carefully reviewed all information provided before issuing my decision

Our Investigator has said there is not enough to be satisfied TB took Mrs B's funds with the intention of defrauding her, so they think it is more likely this is a civil dispute. Mrs B has not provided us with any evidence of the scam, such as communications with TB showing what was agreed as part of the investment. And the evidence I have seen suggests Mrs B's funds were used as intended.

I appreciate Mrs B's comments that a police investigation is ongoing, though it is not clear what the focus of this investigation is. And this does not necessarily mean a scam has occurred or that TB took Mrs B's funds with the intention of defrauding her. I therefore have not seen enough for me to agree that a scam has occurred in the circumstances. I therefore do not think it is unreasonable that Lloyds approved the opening of TB's account.

Mrs B made the payments in early 2022, so I've gone on to consider whether the activity on the receiving bank accounts ought reasonably to have caused Lloyds any concern. Whilst data protection reasons mean I can't share any information with Mrs B, I don't think there was anything relating to the activity on the account that should have prompted Lloyds to have any concerns prior to Mrs B making the payments to the account. And even if it did, I have explained above why I think it's more likely this was a civil dispute, so I don't think any concerns would have prevented the payments from ultimately being processed.

I've finally considered Lloyd's actions on receipt of notification of the scam. By the time they were made aware in May 2023, the funds had already been seized so none were available to be returned. And in any event, I think it would have been reasonable for Lloyds not to return any funds had they been available, as I agree it's more likely this was a civil dispute.

If in the future, new material evidence comes to light which establishes this was an APP fraud, then Mrs B can ask Lloyds to reconsider at that point. But as things stand, I don't think it's fair and reasonable, to require Lloyds to refund Mrs B.

My final decision

I do not uphold Mrs B's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 1 January 2025.

Rebecca Norris

Ombudsman