

The complaint

Mr E is unhappy that Lloyds Bank PLC has decided not to refund him after he fell victim to what he says was an investment scam.

Mr E is using a professional representative to bring his complaint. I'll refer to them as C.

What happened

I'll summarise the facts as they are well known to all parties.

Mr E made payments from two of his bank accounts to S. S was offering a range of investments but Mr E's investment was with regard to property development.

From his Lloyds account, Mr E made payments totalling £115,000. A £15,000 payment in December 2018. He received a return of just over £2,600 in January 2019. And then received £100,000 from S and reinvested this in early May 2019.

One of our investigators looked into things they said:

- The payments weren't covered by the Contingent Reimbursement Model (CRM).
- She said the first payment ought to have been considered an APP scam risk by Lloyds and it ought to have intervened with the payment.
- But she went on to say, that even if it had intervened it wouldn't have made a difference, as there were no warnings about S and no known issues. S was an active company on Companies House and Mr E had received returns before at least the second payment.
- Although Mr E has provided some concerning information about S now, this is provided with the benefit of hindsight and not what Mr E or Lloyds would have known at the time he made the payments.

C didn't accept the investigators findings it said:

- Unbeknownst to Mr E at the time S was in financial difficulties from 2016. And the owner had previously filed for bankruptcy. And there were other discrepancies in 2017 in the company accounts.
- Concerns were raised by MPs, and this would have been public record – for those who have the expertise to properly investigate matters, they should have picked up on this.
- This information was more than enough for the bank to have had concerns about payments being made to S.
- If Lloyds had intervened with the payments and questioned how the investment came about and provided a warning that Mr E's funds could be at risk, these warnings would have been taken seriously by Mr E, as he wasn't in a position to lose that amount of money.
- They add that, due to his age, C believes Mr E is vulnerable and the bank had a duty to protect him, even before the CRM code was in place.

- It ought to have been clear to Lloyds that S faced financial difficulties with other investors voicing concerns at the time Mr E made the payments.

The investigator didn't change her findings based on these comments.

As the case couldn't be resolved it's been passed to me for 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.

Having considered everything I have come to the same overall conclusions and outcome as the investigator but have provided more detail, which I'll provide below.

Should Lloyds have identified and intervened in Mr E's payment, and would that have prevented it from being made?

Mr E doesn't dispute that he authorised the payments. The starting position under the relevant regulations is that Mr E is responsible for payments he's authorised himself.

Taking into account regulators' rules and guidance, relevant codes of practice, and what I consider to have been good industry practice at the time these payments were made, I think Lloyds fairly and reasonably ought to have been on the lookout for out-of-character and unusual transactions and other indications that its customer might be at risk of financial harm from fraud.

Mr E made two payments to S from his Lloyds account one for £15,000 in December 2018 and another for £100,000 in early May 2019. The investigator thought that the first payment ought to have triggered intervention from Lloyds. I haven't seen enough of Mr E's account history with Lloyds to be certain that this was necessary. But, in any event, she did go on to say that intervention here wouldn't have made a difference and I agree.

When Mr E made the first payment he'd already been investing with S (and its associated companies) with funds from other bank accounts, for several months. And as the investigator said, there wouldn't have been anything about S, that ought reasonably to have put Lloyds on notice, that his payment could have represented a scam risk. I'll explain why.

But before I do, I'll that add that when Mr E made the second payment of £100,000 in early May 2019, he'd received a £100,000 payment/return from S and another for a little over £2,600. But he'd also invested considerable sums from another of his bank accounts at this point in time, and hadn't raised concerns when doing so. So, I'm satisfied Mr E wouldn't have had likely had any concerns himself either when making the more substantial payment.

The bank's primary obligation was to carry out its customers' instructions without delay. Unless there were reasons for the bank to suspect fraud and warn its customer accordingly.

What matters is what a proportionate intervention by Lloyds — at the point Mr E instructed it to make his payment — could reasonably have been expected to uncover about the legitimacy of Company S and his investment in it.

I cannot apply the benefit of hindsight to this finding. I need to consider the information Lloyds might have uncovered in the course of a proportionate enquiry to Mr E about the payment at the time he gave that instruction.

While Mr E and C have presented significant concerns about the operation of Company S and the legitimacy of the investment. I must consider what Lloyds could reasonably have established in the course of proportionate enquiry to him about his payment back in December 2018 or May 2019.

The bank might have noted that the rate of return being offered by Company S was relatively high. That may often be a sign to prompt concerns about the legitimacy of what is being offered. However, here I don't think it was so high as to be considered too good to be true — either by Mr E or by Lloyds. In basic terms, the rate of return (the yield) on a loan or mini-bond will typically vary according to the perceived risks — in particular the default risk. Riskier investments need to offer a higher yield to compensate an investor for bearing the risk that the investment might fail. In other words, a higher than usual rate of return would be expected for a legitimate but risky investment.

But that investment risk isn't at all the same thing as the risk of fraud or scam that I'd expect Lloyds to have been alert for. To reiterate, it was not Lloyds' role here to advise Mr E about the apparent level of investment risk or its suitability for his needs. And with this in mind, I don't consider a rate of return such as that offered by Company S would necessarily show the investment was fraudulent. It might more commonly reflect a legitimate investment risk (as Mr E believed it did at the time, based on his own due diligence).

It seems to me there was little else that would have prompted Lloyds to have believed this was anything other than a potentially risky but legitimate investment at the time. Mr E had been shown persuasive information about the investment. This all appeared to be legitimate. There does not appear to have been obvious information readily available to Lloyds (or to Mr E) at that point which would have prompted either party to have believed this was an APP scam. Whilst C has now cited information about S's accounts and financial position that isn't something a bank would typically direct a consumer to research and of course the financial status of a company also doesn't exclusively establish whether it's a operating a scam or not either.

In short, I don't think either Mr E or Lloyds could reasonably have identified that Company S was potentially fraudulent at the time of Mr E's payment instruction. As a result, I don't find that any proportionate intervention by Lloyds in respect of Mr E's payment instruction prior to it being made would have resulted in Mr E withdrawing his payment instruction — or stopped that payment from being executed in accordance with Mr E's wishes at the time. Nor do I find Lloyds was at fault in having carried out the payment in line with his instructions.

So, it's unlikely that intervention by Lloyds at this point would have resulted in him making different checks or revealing anything that would make him think it wasn't genuine, given his successful investments to date.

C has said that Mr E cashing in bonds ought to have been a concerning factor. But I don't agree. In order to make investments it's not unusual to liquidate other assets or investments in order to do so. The main point being that, even if Lloyds had intervened, as set out above, I'm not persuaded Mr E wouldn't have gone ahead with these payments.

C has said that Mr E was vulnerable because of his age and his inability to make up any loss if this turned out to be a scam. But Mr E's age doesn't mean he is automatically vulnerable and I've not seen enough evidence from C or Mr E that this decision would have left Mr E financially vulnerable either. People continue to make investments well beyond retirement age and it is not for the bank to offer investment advice in this scenario.

I'm therefore satisfied that Lloyds' decision not to uphold Mr E's complaint or refund his losses here are unreasonable.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 15 December 2025.

Sophia Smith
Ombudsman