



The complaint

Mrs J complains about Lloyds Bank PLC ("Lloyds"). She says that it failed to protect her from a scam and would like it to refund her the money she has lost.

Mrs J's complaint has been referred to this service by a professional representative but for the sake of readability, I will mainly just refer to Mrs J.

What happened

In 2020, Mrs J's late husband was looking to make an investment and was introduced to a company, that I will refer to as 'B', by an advisor.

Mrs J says that she sent funds from her account to B with the aim of receiving payments every 6 months and the full amount invested returned after 2 years. Mrs J made two payments one of £20,000 on 3 December 2020 and the second of £10,000 on 7 December 2020.

B went into administration and Mrs J says that she didn't receive the promised returns and felt that she had been taken in by an elaborate scam. Unhappy, she complained to Lloyds as she felt it should have protected her from the scam when she made the payments from her Lloyds account. Lloyds considered Mrs J's complaint, but said it did not agree this was a scam and instead felt it was a failed investment, so treated the case as a civil dispute.

Unhappy with this outcome, Mrs J brought her complaint to this Service.

Our Investigator looked into things and reviewed it under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. They agreed it was more likely a civil dispute between Mrs J and B. On balance, they did not think the evidence showed B didn't intend to act in line with the agreement or pay the funds described in the contract. And instead, they felt it was more likely this was an investment that failed.

Mrs J's representatives responded to the investigator's assessment saying they and Mrs J disagreed with the Investigator. 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.

It isn't in dispute that Mrs J authorised the payments she made to B. Because of this, the starting position – in line with the Payment Services Regulations (PSR's) 2017 – is that she is liable for the transactions.

In broad terms, the starting position at law is that a bank 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. But there are circumstances when it might be fair and reasonable for a firm to reimburse a customer, even when they have authorised a payment.

In this instance, there are two main issues for me to consider. Firstly, should Lloyds have intervened and asked questions about the payments and would that have uncovered that Mrs J was being scammed. Secondly, should Mrs J receive a refund under the CRM.

Based on the limited bank statements that I have been provided, I can see that Mrs J had made a large payment of £10,000 earlier in the month. This suggests that large payments were not unusual for Mrs J's account. But given that two large payments were made to a new payee in quick succession, I would've expected Lloyds to have identified a potential risk of financial harm and asked Mrs J a number of open questions about the Payments.

I see that Lloyds did intervene, but its intervention was limited to asking Mrs J to check the account details and if B was registered with the FCA. The type of questions I'd expect Lloyds to have asked would include: how Mrs J found the investment, what return she had been offered and what checks she had done on B. Lloyds also may have asked what documentation Mrs J had received in relation to the investment.

But, even if Lloyds had asked the type of questions I would've expected, I'm not satisfied that it would've prevented Mrs J from making the payments or prevented her loss.

I say this because all of the information available about B at the time of the payments, suggested that this was a legitimate investment.

B was a UK incorporated company since 2015 and all of the documentation that Mrs J received looked professional. The rate of return wasn't completely unrealistic, and I haven't seen any negative information that would've been available that suggested this was a scam.

So, even if Lloyds had asked open probing questions, I not satisfied that they would've been concerned by the information Mrs J would've given them. On that basis, I don't think they acted unreasonably in processing Mrs J's payment instructions, and I'm not satisfied that they could've prevented her loss.

In relation to whether Mrs J should receive a refund under the CRM. The CRM Code provides additional protection from APP scams, but only in certain circumstances. For example, the CRM Code only applies where the victim's payment meets the CRM Code's definition of an APP scam.

The CRM Code only applies if the definition of an APP scam, as set out in it, is met.

I have set out the definition of an APP scam as set out in the CRM Code below:

"...a transfer of funds executed across Faster Payments...where:

(i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or

(ii) The Customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent."

I've therefore considered whether the payments Mrs J made to B fall under the scope of an APP scam as set out above. Having done so, I don't think that they do. I'll explain why in more detail.

In order to determine if Mrs J has been the victim of a scam, I have to consider if her intended purpose for the payments was legitimate, whether the intended purposes Mrs J and B were broadly aligned and, if not, whether this was the result of dishonest deception on the part of the B.

Based on the evidence available to me, it appears Mrs J was intending for the funds to be invested in B who appear to have been a legitimate mining company that was incorporated since 2015. So, I see no reason why Mrs J would not have thought this was a legitimate investment.

I've gone on to consider whether B's intended purpose for the payments aligned with what Mrs J intended. Based on what I can find out about B, B was a legitimate company involved in legitimate work.

On balance, I think B's intended purpose for the funds aligned with Mrs J's and nothing I have seen indicates to me that B intended to defraud her. Instead, I think it's more likely this was a failed investment. So I don't think it meets the definition of an APP scam. And I think Lloyds acted reasonably when it treated the case as a civil dispute.

In relation to Lloyds recovering the funds, given that I do not think that B was a scam, I can see no reason that Lloyds could have contacted the receiving bank to recover the funds. And in any event, given that B went into administration and the timescales involved, I don't think the funds could have been recovered.

I'm really sorry to disappoint Mrs J, as I know she's lost a significant amount of money. But I'm not satisfied that I can fairly ask Lloyds to refund her based on the evidence that is available.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 31 March 2025.

Charlie Newton
Ombudsman