

The complaint

Mr G complains that Lloyds Bank Plc will not refund the money he says he lost to a scam.

What happened

In 2017 Mr G was contacted by a firm offering investment bonds with a company I will call F. Mr G decided to invest in a three-year bond, with the promise of regular interest payments and a lump sum of his capital and interest being paid out to him at the end of the term.

Mr G initially invested £20,000 in November 2017, he paid this via two cheques, for £5,000 and £15,000. Mr G received some interest payments in late 2018, and in February 2019 he decided to invest a further £15,000 in the scheme, this was paid via faster payment. Mr G received one more interest payment in April 2019.

When the original investment was due to end Mr G did not receive his expected pay out, and when F subsequently entered administration Mr G became concerned that F had been acting fraudulently. Mr G therefore raised a scam claim with Lloyds for the payments he made to F.

Lloyds looked into his concerns, but did not agree it was liable for his loss. It said that it believes this is a civil dispute between Mr G and F, it also noted that the faster payment Mr G made was not out of character for his account, so it would not have intervened in that payment.

Mr G was unhappy with Lloyds' response, so he referred his complaint to our service. One of our Investigators looked into what had happened, but they did not feel that it was fair to hold Lloyds responsible for Mr G's loss. They noted that none of the payments Mr G made were covered by the Lending Standards Board's Contingent Reimbursement Model Code and explained that they felt any intervention from Lloyds would not have been likely to prevent Mr G from making these payments, given what was known about F at the time.

Mr G remained unhappy; he has provided more information to support his assertion that F was acting fraudulently. As no agreement could be reached, this case has now been passed to me for review.

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 in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time. Where the evidence is incomplete or missing, I am required to make my findings based on a balance of probabilities – in other words what I consider is most likely given the information available to me.

I am extremely sorry to hear about the situation Mr G is now in, following the failure of F, and the impact it has had on him. I acknowledge that he has sustained a significant financial loss, and that he invested into F sincerely believing it was a legitimate investment but that he now has serious concerns that F was operating fraudulently. However, I do not have the power to consider the actions of F. The complaint I am limited to deciding is the one Mr G brings against his bank, Lloyds. That means I must focus on whether I consider Lloyds was at fault in the way it handled the payments Mr G made to F from his account - and if so, what difference I think that fault likely made.

I've first considered whether the CRM code applies to the payments Mr G made.

The Lending Standards Board Contingent Reimbursement Model Code (the Code) is a voluntary code which sets out a number of circumstances in which firms are required to reimburse customers who have been the victims of certain types of scam. Lloyds is a signatory to the Code. But the Code only came into effect in May 2019, and it is not retrospective. All of the payments Mr G made to F were made before this date (and in addition, the first two payments were made as cheques, which are also excluded under the Code), so the Code does not apply here.

The starting position in law is therefore that Mr G is responsible for transactions he's carried out himself. Both sides accept Mr G gave the payment instructions (albeit under the belief that he was making a genuine investment). So, Lloyds' primary obligation here was to carry out his instructions without delay.

However, taking into account regulators' rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I'd expect Lloyds to have been on the lookout for out of character or unusual transactions, as well as other indications that its customer might be at risk of financial harm from fraud or scam. In circumstances where such concerns arose, I'd expect the bank, as a matter of good industry practice, to have intervened to a proportionate extent prior to processing the payment instruction to reassure itself the payment wasn't likely part of a scam or fraud.

Here, Lloyds did not intervene to this extent. And while I do think the 2019 payment was generally in line with the usual operation of Mr G's account – and so not a payment that merited any particular intervention as it did not appear unusual or out of character – I agree with our investigator that the cheque payments in 2017 were unusual enough at that time to have perhaps merited some direct intervention from Lloyds to ensure that Mr G was not at risk of financial harm.

But even if I accept that Lloyds ought to have intervened and taken the step of blocking Mr G's payment instructions until they could be discussed with him, I consider it unlikely this would have prevented his eventual loss.

I can't rely on the benefit of hindsight here – I must consider what Lloyds could reasonably have established in the course of proportionate enquiry to Mr G about his payments back in November 2017. While there are now concerns about the legitimacy of F's business, these began to surface several years after Mr G's payments were made.

I don't think it would've been readily apparent in 2017 – or in 2019 when Mr G made his second investment – that F might be fraudulent rather than simply a potentially risky investment. I'm not persuaded sufficient information was readily and publicly available at the time which would have caused Lloyds (or Mr G) specific concerns about the risk of loss through fraud. Mr G had received professional and legitimate looking documentation, and there was nothing that clearly suggested at the time that F was anything other than a legitimate company offering an investment.

So, given that I don't find that significant concerns would (or could) have been uncovered by Lloyds' proportionate enquiries at the time, I don't think it likely that Lloyds could have prevented these payments from being made, or otherwise caused Mr G not to proceed.

Finally, given that it was many years after the payments were made that Mr G reported his concerns to Lloyds, I cannot see that there would have been any reasonable prospect of it recovering those funds. So, I don't think Lloyds could have done any more to recover Mr G's lost funds.

I sympathise with the position Mr G has found himself in, and I'm in no way saying that he doesn't have a legitimate grievance against F. But, for the reasons I've explained above, I do not consider that the payments in dispute here are covered under the Code, or that it would otherwise be fair to hold Lloyds responsible for the money he has lost.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 March 2025.

Sophie Mitchell
Ombudsman