

The complaint

S complains that Lloyds Bank PLC did not reimburse the funds it lost to a scam.

What happened

S's director, Mr H, saw an individual boarding up a property near his home. He had concerns that the land was going to be turned into a commercial lot with restaurants and a petrol station. The individual, who I will refer to as SF for the purposes of this decision, said he intended to buy the land and offered for Mr H to own part of it. Mr H agreed and initially paid £23,000 as a refundable deposit to secure the right to acquire three acres of the land. However, after this SF gave various reasons as to why more and more funds were needed.

Mr H sent a total of £544,699 between October 2022 and April 2023, and £55,000 of that came from S's business account. Despite paying this money, Mr H still did not have ownership of any of the land and eventually he realised he had been the victim of a scam. He raised a scam claim with Lloyds who issued a final response letter in July 2024. Lloyds felt that the transactions were in line with S's normal account activity, so did not agree that they should have intervened prior to processing them. They also felt this was a civil matter as Mr H had spoken with SF's solicitor about the property purchase and had pursued SF through the courts. So, they did not agree to refund S.

The complaint was referred to our service and our Investigator looked into it. They explained that they did not think S had suffered a financial loss that Lloyds had to reimburse. This was because they had seen no evidence to show that this was a business investment made by S, and the fact payments to SF were made from two separate limited company accounts as well as Mr H's own personal account supported that this was actually a personal investment by Mr H that he used company funds for. So, they thought it was more likely Mr H owed S the money.

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.

S says that it has suffered a loss due to the property investment scam. In order for me to determine whether S has actually suffered a loss, I have to consider if it is more likely Mr H intended for this to be a business investment for S. If this is not the case, S's funds have essentially been used as a loan, and whoever has used those funds will owe S instead of any potential liability on Lloyds' behalf. To assess this, I have carefully reviewed all of the evidenced provided to me by both parties.

S made three payments to SF directly, this included two payments of £5,000 on 18 January 2023 and one payment of £45,000 on 30 January 2023. S's representative has said that Mr H asked for the land to be registered in C's name which is another limited company he was a director of. And that both C and S invested independently in the property and therefore suffered a loss. However, it has been accepted that S loaned the £45,000 to C for the investment, and this is confirmed in the court judgement. As a result, I do not agree that S

intended to invest these funds and instead I am satisfied they were a loan to C, which C therefore owes directly to S.

For the remaining £10,000 S paid directly to SF, I have seen no indication that Mr H intended for this to be a business investment for S. Having reviewed the correspondence between Mr H and SF, I can see that in December 2022, Mr H said he was not really looking to make money on the purchase of the land, and he did not know if he was going to sell the land or keep it for himself. This does not suggest that he was intending for this to be a profitable investment in the long run and instead appeared to be a personal decision to ensure a petrol station could not be built on the land. None of the messages indicate this was intended to be a business investment on behalf of the limited company, S.

I have not been provided with any other evidence to show this was a business investment on behalf of S, such as confirmation from the company's accountant or an official agreement with SF in relation to S. With this in mind, I think it is more likely Mr H used S's company funds for his own personal use, and that S loaned funds to C. As a result, both C and Mr H owe the £55,000 to S, so I do not think it would be fair to ask Lloyds to reimburse Lloyds if I were to agree it should be held liable.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 12 May 2025.

Rebecca Norris

Ombudsman