

The complaint

Mrs C, who is represented, is unhappy that Lloyds Bank PLC didn't do more to prevent one of its customers committing fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I will summarise them briefly below.

Mrs C employed the services of a business, who I will refer to as N, to install a kitchen extension at her residence. After agreeing a price for the works to be completed, Mrs C made an initial payment from her account—held with a third-party bank—for £17,644.80 on 8 April 2022. This payment was made to an account held with Lloyds.

N entered into liquidation, so it passed the project over to another business to complete. But after the relationship with that business broke down, and Mrs C employed the services of a third-party contractor to complete the work, she discovered information that led her to believe she'd been the victim of fraud. Mrs C says that the Director of N was instrumental in that fraud.

Mrs C complained to Lloyds, as she felt it ought to have done more to prevent its account being used for criminal activity. Lloyds carried out an investigation, but it concluded that it was a civil matter between Mrs C and its account holder. It found no error in its opening of the account, nor with its monitoring of the account's activity.

Mrs C, unhappy with this response, referred the matter to our service for an independent review. And after an Investigator considered the complaint, they agreed Lloyds acted fairly in its assessment of Mrs C's complaint.

As Mrs C disagreed with this assessment, the matter has now 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 are a voluntary signatory of the Lending Standards Board's Contingent Reimbursement Model (the CRM Code). This sets out the obligations for the 'Receiving Firm' to prevent, detect and respond to the receipt of funds from fraud in order to prevent accounts from being opened, or used, to launder the proceeds of those crimes.

Where there is a failing by the Receiving Firm, they may be required to reimburse the customer their loss. However, the CRM Code is only relevant if I'm persuaded Mrs C did fall victim to a fraud. The Code specifically doesn't cover certain types of disputes. It says:

“This Code does not apply to...private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier”.

I have already provided Mrs C an in-depth assessment—in her complaint against the sending bank—setting out why I find it more likely than not that this matter falls under the definition of a private civil dispute within the scope of the Code. So I don’t intend to repeat myself here.

As I have concluded this to be a civil dispute between Mrs C and N, rather than a fraud committed against her, Lloyds have no obligation to reimburse Mrs C her loss under the Code. Nor did it have an obligation to send her funds back to the sending bank once it was notified of the alleged fraud.

Mrs C’s representative has made reference in their complaint referral to two further matters it wishes our service to look into:

1. Lloyds failed to carry out sufficient due diligence checks when opening the account.
2. Lloyds failed to appropriately monitor the account and identify concerns with the patterns of expenditure.

Due to the above findings that I have already made, there was no basis for Lloyds to have intervened in the operation of the recipient account or to have prevented the funds from leaving it. I therefore find that Lloyds have not acted in error here.

My final decision

For the reasons I have given above, I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mrs C to accept or reject my decision before 30 May 2025.

Stephen Westlake
Ombudsman