

The complaint

Mr and Mrs C complain that Lloyds Bank PLC didn't do enough to protect them when they made payments to a property investment opportunity that they now consider was a scam.

What happened

Mr and Mrs C made payments between 2018 and 2019 from their Lloyds account towards a property development investment with 'H'. They did receive returns from H, but not the full amount expected, and H went into administration in January 2022. They now say the investment wasn't genuine and that they're the victim of a sophisticated scam.

Mr and Mrs C complained to Lloyds in October 2023, but it didn't uphold their complaint. It didn't consider they were the victim of a scam and instead said this was a high-risk investment which ultimately failed. And because of this, it said they weren't covered by the reimbursement model raised.

Mr and Mrs C were unhappy with Lloyds's response and brought a complaint to this service. Our Investigator didn't uphold their complaint as they said they hadn't seen sufficient evidence this was a scam.

Mr and Mrs C maintain that their complaint should be upheld and say that Lloyds failed to comply with PAS 17271:2017 (the PAS Code) and FCA Principles. They said why they think H was operating a scam and a Ponzi scheme. In particular, Mr and Mrs C have referred to high commission rates of as much as 35% paid to introducers and to high return rates of up to 15%. So Mr and Mrs C confirmed they wanted an Ombudsman to reconsider their case.

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.

Taking into account the law, regulations, guidance, standards, codes, and industry practice I have referred to above, (including the PAS Code), Lloyds should have been on the look-out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (amongst other things). And, in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment.

Mr and Mrs C started investing with H in 2018. Their representative has explained that these payments were out of character with their account history at this time and that they were both vulnerable, so Lloyds needed to do more to protect them. Lloyds has explained that it's unable to show what warnings or questions, if any, were shown/asked due to the time that's passed. However, even with the limited information held, I don't consider that proportionate conversations would've changed Mr and Mrs C's decision to invest.

I'm not persuaded the kind of information I'd expect Lloyds to have shared/discussed with Mr and Mrs C would've prevented the payments from being made. H was a legitimately

registered company at the time they paid into it and there wasn't anything in the public domain at the time to suggest Lloyds should've been concerned that Mr and Mrs C might be falling victim to a scam. Lloyds wouldn't have been aware what would happen with regards to their losses and the company, and it wasn't required to provide any investment advice.

While it hasn't been provided by Mr and Mrs C, I've seen some of the promotional literature which was given out for the investment with H. It's persuasive and comprehensive information for investors which sets out how it operates, and the returns expected. It seems highly unlikely that a conversation with Lloyds would've prevented Mr and Mrs C going ahead with the investment when they would've held this kind of information.

I haven't seen information that indicates Lloyds ought to have stopped the payments to H at the time Mr and Mrs C were making them, or that anything it shared would've prevented them from going ahead.

I've then considered whether Mr and Mrs C are due a refund under the Contingent Reimbursement Model (CRM) code for their payments as some of them were made after this code was in force. As their representatives argue they were scammed by H, this could apply.

The CRM code doesn't apply to all APP payments which ultimately result in a loss for the customer. It only covers situations where the payment meets its definition of an APP scam. The relevant definition for this case would be that Mr and Mrs C transferred funds to another person for what they believed was a legitimate purpose, but which was in fact fraudulent.

I've considered the evidence available, but I can't fairly conclude that Mr and Mrs C have been the victim of a scam in line with this required definition. This means the CRM code doesn't apply to their payments and so Lloyds isn't required to reimburse them under it.

Our Investigator covered in detail why they considered the payment purpose Mr and Mrs C had in mind, and the purpose in which the recipient had matched. I'm in agreement with them that this was the case, I'll explain why.

It's accepted Mr and Mrs C's purpose for making the payment was to invest in H and for the funds to be used towards property development. And that they were persuaded at the time this was a legitimate venture. I accept that H failed to deliver what was expected from the investment, but I haven't seen any clear evidence this was always what it intended; or that at the time of the payment, it planned to use *Mr and Mrs C's* funds in a different way to what was agreed. I haven't seen persuasive evidence that H's intention was to defraud Mr and Mrs C when it took their funds.

Ultimately, the information we currently hold suggests that H was a failed investment venture, not a scam. The information provided doesn't evidence H had fraudulent intent when it took Mr and Mrs C's funds, as required under the definitions within the CRM code. So I can't agree Lloyds was wrong to consider Mr and Mrs C's situation a civil matter, or is wrong not to have reimbursed them under the CRM code at this time.

This also means I'm unable to ask Lloyds to reimburse Mr and Mrs C on the basis that they were both vulnerable at the time the payments were made, due to their age and personal circumstances, as their representative has alleged. When the CRM Code applies, a customer can be reimbursed if they meet the definition of vulnerable, even when an exception to reimbursement applies. But as that's not the case here and the CRM code doesn't apply, I won't be asking Lloyds to reimburse Mr and Mrs C.

I appreciate Mr and Mrs C are now in a position where they've lost out financially due to this investment. But I don't consider their loss is the result of any failings by Lloyds.

My final decision

For the reasons set out above, I don't uphold Mr and Mrs C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs C to accept or reject my decision before 9 July 2025.

Amy Osborne
Ombudsman