

The complaint

Mr and Mrs C complain that Lloyds Bank PLC ('Lloyds') won't reimburse the funds they lost when they say they fell victim to a scam.

What happened

Mr and Mrs C have a joint account with Lloyds. Through a professional representative, they complained to Lloyds in October 2023. They said that in September 2020 they made a £10,000 payment to a company I'll call B in my decision. This payment followed other high value payments relating to investments Mr and Mrs C say were also fraudulent, but which don't form part of this complaint.

B was a vehicle logistics company. Mr and Mrs C say it offered them guaranteed returns of 11.75% per year which demonstrates the investment wasn't legitimate. They say that B operated a Ponzi scheme, and that Lloyds should have intervened when the out of character payment was made. Had it done so, Mr and Mrs C say Lloyds should have had concerns about the high and guaranteed nature of the returns, and the fact B wasn't regulated, and Mr and Mrs C's loss would have been prevented. Mr and Mrs C also said that they were vulnerable as they had immigrated shortly before the transactions were made and were inexperienced in managing financial affairs in the UK.

Lloyds said B offered a high-risk investment that had failed. There was no evidence of fraud - B appeared to have suffered financial difficulties and had gone into administration. This meant the Contingent Reimbursement Model Code (CRM Code) didn't apply. Finally, Lloyds said that had it intervened it would not have had any concerns.

Mr and Mrs C were unhappy with Lloyds' response and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint didn't recommend it be upheld. He said Mr and Mrs C hadn't provided evidence to show that B was a scam rather than a failed investment.

Mr and Mrs C didn't agree with the investigator's findings. In summary, they said:

- This service has failed to take into consideration legal and regulatory principles and the investigator didn't comment on the application of the CRM Code or PAS Code (PAS 17271: 2017). The PAS Code applies where a consumer might be at risk of financial harm from fraud, so fraud doesn't have to be proved.
- If Lloyds had contacted Mr and Mrs C it would have established that the investment wasn't regulated and was promoted by an unregulated broker, it was "very clearly a UCIS", Mr and Mrs C were not sophisticated or high net worth investors, and they were offered very high and guaranteed returns. The payment would not then have been made.

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, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice (including the PAS Code); and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

Lloyds is a signatory to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code). Under this code, the starting principle is that a firm should reimburse a customer who is the victim of an authorised push payment (APP) scam, except in limited circumstances. But the CRM Code only applies if the definition of an authorised push payment (APP) scam, as set out in it, is met.

I have considered whether Mr and Mrs C's claim falls within the scope of the CRM Code, which defines an APP scam as:

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

It is for Mr and Mrs C to demonstrate that they are the victims of an APP scam.

To decide whether Mr and Mrs C are the victims of an APP scam as defined in the CRM Code I have considered:

- The purpose of the payment and whether Mr and Mrs C thought this purpose was legitimate.
- The purpose the recipient (B) had in mind at the time of the payment, and whether this broadly aligned with what Mr and Mrs C understood to have been the purpose of the payment.
- Whether there was a significant difference in these purposes, and if so, whether it could be said this was as a result of dishonest deception.

I haven't seen anything to suggest that Mr and Mrs C didn't consider the payment to B was for legitimate purposes.

The evidence available to me is that B was a legitimate vehicle logistics firm and Mr and Mrs C's funds were passed to B. I've seen no evidence that B was intending to scam Mr and Mrs C and no evidence B was acting fraudulently.

Mr and Mrs C have referred to both guaranteed and high rates of return and to the fact B wasn't regulated. They have provided no evidence at all which sets out the nature of the investment, so I am unable to confirm the rate of return or whether it was guaranteed. But even if this evidence was available, I'm not persuaded it goes far enough to show that B didn't intend to use Mr and Mrs C's funds for the intended purpose. I also haven't seen any evidence from an external party, like the police, to suggest B acted fraudulently.

Overall, I'm not satisfied that the CRM Code applies in this case, so I don't think Lloyds acted unreasonably in not considering Mr and Mrs C's complaint under it.

If in the future, further evidence demonstrates that the investment scheme was fundamentally different in purpose and does meet the CRM Code's definition of an APP scam, then Mr and Mrs C can ask Lloyds to reconsider at that point. But as things stand, I can't require Lloyds to refund Mr and Mrs C under the CRM Code.

I've gone on to consider whether there is any other reason why Lloyds should reimburse Mr and Mrs C's loss. Lloyds should fairly and reasonably have had systems in place to look out

for out of character or unusual transactions, or other signs that might indicate that its customers were at risk of fraud. I haven't been provided with Mr and Mrs C's statements for the 12-month period before the transaction to B was made, so the only information I have is that payments of £5,000 and £6,000 left their account in this period. Mr and Mrs C say these payments relate to a different scam, but Lloyds had no knowledge of this at the time. So it's arguable that Lloyds should have intervened.

If intervention was required, I'd need to go on to consider causation - whether suitable intervention would have made a difference to Mr and Mrs C's decision making or Lloyds could have reasonably prevented the loss. I'm not persuaded that intervention in September 2020 would have highlighted concerns. B was a genuine company that was incorporated in October 2018 and there was nothing to suggest it wasn't legitimate.

I'm very sorry to disappoint Mr and Mrs C, but I'm not satisfied that I can fairly ask Lloyds to refund them based on the evidence that is currently available.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C and Mr C to accept or reject my decision before 21 July 2025.

Jay Hadfield
Ombudsman