

## **The complaint**

Ms T complains that Lloyds Bank PLC will not refund the £15,000 she says she lost to a scam.

## **What happened**

Ms T was introduced to a company I'll call 'HS' for the purpose of this decision. HS had several different building projects they were providing investments for in the form of loan notes. Ms T agreed to invest £15,000 and made a transfer from her Lloyds account for the amount on 28 September 2018.

Ms T did not receive any returns on her investment. Eventually, following significant delays, issues with income and repaying investors, HS went into administration in December 2021. Ms T felt she had been the victim of an investment scam and that HS set out to defraud her.

She raised a scam claim with Lloyds who issued a final response in which they explained HS appeared to be a genuine company who had entered into financial difficulties. So, they felt it was more likely this was a failed investment rather than a scam, and they didn't agree to reimburse Ms T as they did not consider they would have been able to prevent her from making the payment that is the subject of this complaint. Ms T disagreed, as a result, she referred the complaint to our service.

Our Investigator looked into the complaint and reviewed it under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. Having done so, they felt it was more likely a civil dispute between Ms T and HS. On balance, they did not think the evidence showed HS never intended to act in line with its agreement with Ms T. And instead, they felt it was more likely this was an investment that failed, so they didn't agree Lloyds needed to refund Ms T.

Ms T's representative disagreed with the findings. As an informal agreement could not be reached the complaint was passed to me for review. I issued a provisional decision on this case on 24 November 2011, explaining that the payment in question here was not covered by the CRM Code, but that I nonetheless remained satisfied that Lloyds could not reasonably have prevented Ms T's loss.

Lloyds made no further comment in response to my provisional decision. Ms T's representatives have provided a large volume of documents relating to HS.

## **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 my provisional decision I explained the following:

*"It isn't in dispute that Ms T authorised the payment in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that she is liable for the*

transaction. But she says that she has been the victim of an authorised push payment (APP) scam.

Lloyds has signed up to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances). But the payment that Ms T is complaining about was made prior to the CRM Code coming into force. So, in the circumstances of this complaint the CRM Code does not apply.

Because of this, Ms T is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

Taking the above into consideration, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Ms T, or whether it should have done more than it did.

Given the size of the payment, I think its reasonable to conclude that Lloyds should have intervened in some way – either via a written warning or direct contact with Ms T – before allowing the payment to be made. The question then is whether any such intervention would have been likely to prevent Ms T from making the payment and therefore could have prevented her loss.

Based on the evidence available to me, it appears Ms T was intending for the funds to be invested in 'loan notes' relating to building projects. She then expected to receive returns on the maturity of her investment of 12%. The paperwork she received prior to investing appeared to be professional and detailed, and I can see HS was on Companies House and had been incorporated since 2011.

I've also seen evidence that building projects were completed by HS. So, given that HS appeared to be a legitimate company involved in legitimate building projects I see no reason why Ms T would not have thought this was a legitimate investment at the time she made the payment. And so, if Lloyds had challenged her about what she was making the payment for, I do not think it likely that Lloyds would have identified any concerns that Ms T could be the victim of a scam. I therefore don't think it is reasonable to say that Lloyds could have prevented Ms T's loss here. It follows that I won't be asking Lloyds to refund that loss to her.

I also don't think that Lloyds could have done anything to recover these funds from the recipient account. Given that it was several years after the payment that Ms T first raised her concerns, and that HS had gone into liquidation by that time, I think it very unlikely that any funds would have remained for recovery.

Ms T's representatives have said she was particularly vulnerable to the scam they feel HS was perpetrating. However, as I have determined the payment cannot be considered under the CRM Code, Lloyds was not required to automatically reimburse Ms T if she was found to be vulnerable as set out in the Code. And while outside of the Code, we would expect a bank to make reasonable adjustments and treat vulnerable customers fairly, I've seen no indication that Lloyds was aware of Ms T's vulnerabilities to be able to make reasonable adjustments as and where needed.

*I'm really sorry to disappoint Ms T, as I know she's lost a significant amount of money. But I'm not currently satisfied that I can fairly ask Lloyds to refund her loss based on the evidence that is currently available."*

I've looked at the extensive documents that Ms T's representatives provided in response to my provisional decision, but nothing in those documents has changed my decision that Lloyds would not have reasonably been able to prevent Ms T's loss. I therefore remain satisfied that Lloyds should not be held liable for any of Ms T's loss.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 6 January 2025.

Sophie Mitchell  
**Ombudsman**