

The complaint

This complaint has been brought by a limited company I'll refer to as "P". The complaint is about Lloyds Bank PLC ('Lloyds') declining to reimburse £75,000 it says was lost to an investment scam.

Mr G, who is the director of P, brings the complaint on P's behalf. And Mr G has chosen to appoint a professional representative whom I'll refer to as M.

What happened

Mr G was introduced to an investment opportunity (whom I'll refer to as J) by an accountant friend. It was understood J purported to operate a unique foreign exchange trading business which would see returns paid to investors quarterly. In January 2020, P proceeded to invest in J with Mr G making a payment of £75,000.

J went into liquidation in December 2020 and later dissolved in July 2023 with no returns ever being received by P.

A complaint was raised with Lloyds through M in August 2023. It said that J is now accepted to have been a scam with dozens of creditors collectively losing millions of pounds. As such, the Contingent Reimbursement Model ('CRM') Code ought to apply. M argued that under the Code, P is eligible for a full reimbursement.

Lloyds didn't uphold P's complaint. It considered the investment into J to be a civil dispute and a failed investment.

One of our investigators looked into this matter and didn't uphold the complaint. It was explained that M had not provided sufficient evidence within its submissions to demonstrate P had fallen victim to a scam. Nor had it provided an explanation as to why P now believes it has been scammed. The only available evidence was J being named in the payment instruction made by Mr G which doesn't constitute a scam. He also said there were no regulatory warnings about J at the time nor were there any regulatory warnings to date. And so our investigator was unable to conclude P had fallen victim to a scam. Therefore, he didn't think Lloyds was required to take any further action when the payment was made.

In response, M acknowledged Lloyds was under no duty to protect P from a bad bargain or to provide investment advice. But when the payments were instructed by Mr G, Lloyds should have encouraged him to verify whether the payee was registered with the FCA. And had it done so, this would have brought Mr G's attention to the substantial risks associated with unregulated investments and the increased risk of losing one's money. M said there was no evidence to suggest Mr G was predisposed to taking significant financial risks or had a history of speculative behaviour. M concluded that Lloyds failed to take the opportunity to engage with Mr G missing a critical chance to provide necessary warnings.

Our investigator maintained their stance advising to date M still hadn't provided any further submissions to demonstrate P had fallen victim to a scam as alleged. Therefore, Lloyds wasn't required to take any further action when Mr G instructed it to make the payment.

M disagreed with our investigator reiterating its stance. And in addition, provided a copy of J's statement of affairs and asked for the case to be considered by an ombudsman.

As agreement couldn't be reached on the resolution of the complaint, the case has been referred for a 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.

In deciding this case, I've reached the same overall conclusions as our investigator and for largely the same reasons. I'll explain more below.

It isn't in dispute that Mr G as director of P authorised the transaction in question. In law, P is therefore presumed liable for the loss in the first instance and Lloyds has no obligation to protect it from a bad bargain or a potential civil dispute.

Lloyds is a signatory of the Lending Standards Board's Contingent Reimbursement Model (the CRM Code or "the Code"). The Code provides protection to scam victims. And under the 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). The Code goes on to define what it means by an APP scam. So if I am not persuaded there was a scam, in line with the definition, then I will not have a basis under the Code to uphold this complaint.

I have set the Code's definition of an APP scam below:

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

The CRM Code is also explicit that it doesn't apply to private civil disputes. The wording in the code is as follows:

"This Code does not apply to:

b) 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."

In other words, the CRM Code isn't a general protection for customers against a genuine investment or a genuine business that subsequently failed. Or a situation involving something that may be considered a "bad bargain". The Code only applies if it can reasonably be established that there was the intent to defraud the customer from the outset and that the high bar required for criminal fraud would likely be met.

In its original letter of complaint M state that J is now accepted to have been a scam. But it has not substantiated that claim even with the opportunities given by our investigator for it to do so. What we do know however is that eleven months after making the disputed transaction, J entered into liquidation. And I note that M's latest response provided a copy of J's statement

of affairs – but this does not support J was operating a scam either. Rather, what it does show me is that P is listed as a creditor. But what is available in the public domain are the insolvency practitioner's comments as found in the notice of final account prior to dissolution. I'm not satisfied the comments found here support M's allegation of J either.

I've also considered the official organisations that publish warnings about merchants that operate in the UK and abroad. I've searched the Investor Alerts Portal of the International Organization of Securities Commissions ("IOSCO"), the international body that brings together the world's securities regulators. And the Financial Conduct Authority 'FCA' (as the UK regulator) also has its own warning list, which is in place to share alerts and insight about merchants that have been identified as potentially being fraudulent. Upon checking both of these, it's my understanding that J has no adverse information reported about it.

Overall, it is for P to demonstrate that J was acting fraudulently. And through its professional representative it provided very little, if any, evidence which would support that finding. In the circumstances of P's complaint and allegations of J, I'm not satisfied the CRM Code applies. Therefore, I'm unable to conclude Lloyds was wrong in saying this was a civil dispute and therefore the payment isn't covered by the CRM Code.

Lastly, having taken into account longstanding regulatory expectations and requirements, and what I consider to be good industry practice, Lloyds ought to have been on the look-out for the possibility of fraud and made additional checks before processing payments in some circumstances. But the obligations to warn customers of the risk of such financial harm will only reasonably have been engaged if there were sufficient grounds a payment might be connected to a fraud or a scam – i.e. that it was suspicious.

M explained that whilst Lloyds had no duty to protect P from a bad bargain or give investment advice, it should have invited them to check whether the payee was registered with the FCA. I can only reasonably expect any intervention or enquiries made by Lloyds to have been proportionate to the perceived level of risk of J being fraudulent. And in light of the reasons set out above about J, I'm also in agreeance with our investigator that Lloyds wasn't required to take any further action at the time the payment was made.

Overall, I don't consider Lloyds acted unfairly by preventing or failing to intervene in the payment being made here.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 20 August 2025.

Mark O'Connor
Ombudsman