

The complaint

Mr and Mrs T are unhappy Lloyds Bank PLC won't reimburse money they lost to a scam.

What happened

The background to this case is well known to the parties, so I don't intend to set it out in full here. Briefly, in October 2020, Mr and Mrs T were contacted by a person offering an investment opportunity. That investment was with a company which I will refer to as "K".

K's representative told them that K made money through the provision of short-term bridging loans. Mr and Mrs T were offered a fixed-term bond with a very attractive yield, paid monthly.

Mr and Mrs T agreed to go ahead. On 30 October 2020, they made a payment of £5,000 from their joint Lloyds account, and received a bond certificate from K.

Initially, the returns they had expected were paid. But later the interest payments stopped. Mr and Mrs T were told that the investment had changed. Instead of a regular income, they were told the interest (and their capital) would be paid back to them at the maturity of the bond. But when the maturity date was reached, they did not receive anything back. They were given excuses, and then found they could no longer make contact with K.

K has since been put into liquidation. Mr and Mrs T were concerned that they'd fallen victim to a scam and complained to Lloyds about the payment they'd made.

Lloyds didn't agree to refund their losses. It said it wasn't persuaded that they'd fallen victim to a scam – instead, the bank considered it was more likely this was an investment that had gone wrong (and so this was a private civil dispute with K). That meant they wouldn't be eligible for reimbursement under the Lending Standards Board's Contingent Reimbursement Model Code ("CRM Code").

Mr and Mrs T weren't happy with that response and so they referred their complaint to this service.

Their complaint was looked at by an Investigator, who upheld it. The Investigator was satisfied that Mr and Mrs T had fallen victim to a scam, that their payment should be covered by the CRM Code, and that no exception to reimbursement applied.

Lloyds didn't agree, in summary it said:

- K was a genuine company – it was registered on Companies House.
- An investigation by the liquidator and Official Receiver is still ongoing – so any finding that K was a scam is premature.
- There is no criminal investigation into K.
- A 'reviews website' suggests K did provide bridging loans.

- The FCA hasn't issued any warnings about K.
- A fraudulent company wouldn't provide warnings about the high-risk nature of an investment, as K did.

As no agreement could be reached, the case was 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 is a signatory of the CRM Code. The CRM Code requires firms to reimburse victims of APP scams in all but a limited number of circumstances. It does not cover 'private civil disputes'.

So, the key point of dispute is whether Mr and Mrs T fell victim to an APP scam in making their payment to K or instead that they have a private civil dispute.

The CRM Code defines an APP scam as:

"Authorised Push Payment scam, that is, a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer, authorised by a Customer in accordance with regulation 67 of the PSRs, where:

- a) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- b) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent."*

Mr and Mrs T weren't deceived into transferring to a person other than they intended, so I need to decide whether they transferred funds to N for what he believed was a legitimate purpose but was in fact fraudulent.

I've considered the submissions of both parties carefully, but I'm satisfied that Mr and Mrs T fell victim to a scam. In reaching this conclusion, I've put particular weight on the fact that:

- The Insolvency Service has confirmed that after reviewing K's accounts there 'is little evidence of any bridging loans being provided with the investments'; and
- The Insolvency Service also stated that K appears to have been operating as a 'Ponzi' scheme.

While I acknowledge that some investigations are ongoing, I find the above statements persuasive evidence that Mr and Mrs T fell victim to a scam. I consider the comments of the Insolvency Service carry weight in this matter. And a 'Ponzi' scheme is fraudulent in nature. Such a description generally suggests there was never any intention to use the funds in the way promised.

Mr and Mrs T's experience of K is not inconsistent with it operating in the manner that The Insolvency Service has stated. They received returns for a period of time, were then told that interest would be payable on the maturity of the bond and subsequently weren't able to contact K or receive any return of their capital.

Lloyds points to a reviews website which it says contains 'verified buyer' reviews that claim K did in fact provide bridging loans. Putting aside that The Insolvency Service is likely in a far better position to assess whether any such loans were provided, I'd note that there are also a number of 'verified buyer' reviews on that website advertising recovery scams. It seems extremely unlikely that those reviews have been through a stringent vetting process. I therefore put little weight on the veracity of any of the reviews posted on the site.

Lloyds' also points to there being no warning from the FCA about K. However, it is not the role of the FCA to issue warnings about every limited company that might be operating fraudulently. It typically does so where it has reason to believe that a company is providing financial services requiring authorisation without being authorised to do so. I understand that K would not have required the FCA's authorisation for the activities it was undertaking (and in any event K is no longer active so there would be no relevance to posting a warning now).

And while I acknowledge that K does not appear to be the subject of an ongoing police investigation, I can't overlook the fact that the police have limited resources and as such must consider a range of factors when deciding to pursue a criminal investigation. Those considerations are not limited to determining the likelihood that a crime has been committed. In short, I do not find the absence of any ongoing police investigation to be determinative.

I also put little weight on the suggestion that a fraudulent company wouldn't claim to be high risk. I don't think it's unreasonable to suggest that the nature of this fraud – that is long running and having the outward appearance of being genuine makes it necessary to mimic the actions of a genuine company – therefore including advising investors about risk as K did.

The fact that K was incorporated as a limited company is not, in my view, a persuasive reason to think it was operating legitimately. Setting up a limited company is a straightforward and inexpensive process. It's also worth pointing out that K's stated 'nature of business' on Companies House isn't providing bridging loans.

I understand Lloyds' broader point – that we should simply wait until any investigation is concluded. On the face of it, that might not sound unreasonable. But it's been a significant amount of time since concerns about K came to light and there appears to be no clear timeline by which the matter might be resolved.

While I recognise the bar for demonstrating fraud is a fairly high one, I do not think it is necessary or fair to wait for an indeterminate point in the future when some degree of certainty may or may not be established as to the legitimacy of K.

Instead, I think the statements by The Insolvency Service are persuasive evidence. I think it extremely unlikely such statements were made without solid evidential grounds. On the balance of probabilities – which is the test I am required to reach my findings on – I find those statements sufficient to reach the finding that K was operating as a scam.

Lloyds has not challenged our investigator's view that, should it be decided that Mr and Mrs T fell victim to a scam, they should be reimbursed under the CRM Code. I'm satisfied no exception to reimbursement applies. Lloyds cannot evidence any warning it might have provided and therefore cannot show that any warning was an 'Effective Warning' and ignored by Mr and Mrs T.

The fact that there continues to be debate about the legitimacy of the scheme years after the payment strongly suggests Mr and Mrs T held a reasonable belief that the scheme was legitimate at the point they made the payment. And there's no other evidence I've seen which indicates it wasn't reasonable for them to hold this belief.

That means I think that Mr and Mrs T should be reimbursed under the provisions of the CRM Code.

Lloyds should reimburse the full amount of the payment, £5,000, less the returns received by Mr and Mrs T, which it has evidenced totalled £213.40.

Interest

I've decided that interest should be payable from the date that Lloyds declined Mr and Mrs T's claim under the CRM Code. The information which I've largely relied on to uphold this complaint was obtained by our service significantly prior to Mr and Mrs T raising their claim and I don't think it's unreasonable to suggest that Lloyds could have obtained this information too.

Putting things right

I uphold this complaint about Lloyds Bank PLC and instruct it to pay Mr and Mrs T:

- The amount of the disputed payment of £5,000, minus the returns they received; and,
- 8% simple interest per year on that sum from the date Lloyds first declined Mr and Mrs T's claim under the CRM Code until the date of settlement.

My final decision

For the reasons given above, I uphold Mr and Mrs T's complaint about Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 28 July 2025.

Stephen Dickie
Ombudsman