

The complaint

Mr C complains that Lloyds Bank PLC (“Lloyds”) didn’t refund him the money he lost, to what he believed to be an Authorised Push Payment (“APP”) investment scam.

In bringing his complaint to this service Mr C is represented, but for ease of reading I will refer to Mr C throughout this decision.

What happened

The background to this complaint is well known to all parties, so I won’t repeat it all in detail here. But in summary, I understand it to be as follows.

In 2018, Mr C was approached about an investment opportunity, which involved investing in loan notes to raise money for various projects, with a company I’ll refer to as ‘H’. Believing everything to be genuine, Mr C made the following payments to H, from the account he holds with Lloyds.

Date of payment	Value
15/02/2018	£20,000.00
16/02/2018	£12,000.00
18/07/2018	£20,000.00
03/09/2018	£10,000.00
24/02/2020	£20,000.00
25/02/2020	£5,000.00
03/08/2020	£20,000.00
20/04/2021	£15,000.00
12/05/2021	£20,000.00

Mr C has said that he did receive some returns from H (4 payments, totalling £10,400) but not the amount expected. H went into administration in 2022, and as Mr C wasn’t able to withdraw or recover any more of the money he invested, he now believes H were operating a scam.

Mr C complained to Lloyds in December 2023, but it didn’t uphold his complaint. In summary, Lloyds thought that H was a high-risk investment that had failed, rather than a scam.

Unhappy with Lloyds’ response, Mr C brought his complaint to this service. One of our Investigators looked into things, but didn’t think the complaint should be upheld. In summary, she said she hadn’t seen sufficient evidence to say that this was a scam and that Lloyds ought not to bear any responsibility for his loss.

Mr C didn’t agree with our Investigator’s view. In summary he maintained that his complaint should be upheld and what had happened was a scam.

As agreement couldn’t be reached, the complaint has been passed to me 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.

Mr C has made some detailed submissions in support of his complaint. I've read and considered everything he has sent in, but I don't intend to respond in similar detail. I'm very aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

I'm aware in his submissions Mr C has referred to other decisions issued by our service. But I would point out that, while on the surface complaints may seem quite similar, each complaint is determined by its own individual circumstances. Here, as I'm required to do, I've looked at the individual circumstances of Mr C's complaint.

I've decided to not uphold this complaint for materially the same reasons as our Investigator.

Lloyds was a signatory to the Contingent Reimbursement Model ("CRM Code"). This was a scheme through which victims of scams could (in certain circumstances) receive reimbursement from the banks involved. The CRM Code doesn't apply to all APP transactions which ultimately result in a loss for the customer. It isn't applicable to the first four payments Mr C made, as the CRM Code wasn't in place at the time these payments were made. So, it can't be used as a basis to expect more from Lloyds for the first four payments.

The CRM Code also only covers situations where the payment meets its definition of an APP scam. The relevant definition for this case would be that Mr 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 C has been the victim of a scam in line with this required definition. This means the CRM Code doesn't apply to the final five payments either and so Lloyds isn't required to reimburse him under it. Our Investigator covered in detail why they considered the payment purpose Mr C had in mind, and the purpose in which the recipient had also matched. I'm in agreement with them that this was the case, I'll explain why.

It's accepted Mr C's purpose for making the payment was to invest in H and for the funds to be used towards loan notes to fund property development. And that he was 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 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 C when it took his funds.

In making my judgment on this, I'm conscious H completed three separate developments. It was also working on other projects which it sold on to other developers when it ran into financial difficulty. These actions are indicative of a company operating legitimately.

At the time of the payments, H was a limited company that had been incorporated and operating since 2011. I'm aware H hasn't filed accounts since 2019, and it went into administration in 2022. But financial mismanagement isn't enough to show it was not

intending to use the funds for development projects. To the contrary, projects were being worked on/completed during the period when Mr C was investing in H, despite H's failure to file accounts as required.

Mr C argues the high commission paid to unregulated introducers is an indicator of fraud. But I don't think the lack of regulation by the introducers, nor the use of commission, is enough to show H wasn't intending to use the money it received to fund building projects.

I appreciate some investigations are ongoing. But at this point in time, I haven't seen any persuasive evidence from H's liquidator, or any other external bodies, to show H was receiving funds for use in developments it had no intention of completing. Ultimately, the information we currently hold suggests that H was a failed investment venture, not a scam and so I can't reasonably conclude Mr C's funds were obtained through dishonest deception about the purpose of the payments.

All things considered, in the circumstances of this case, I can't agree Lloyds was wrong to consider Mr C's situation a civil matter or is wrong not to have reimbursed him under the CRM Code at this time.

For the purposes of this decision, I've gone on to consider some of the further points raised alongside the issue as to whether H was operating a scam or not. These include whether Lloyds ought to have stepped in to question the payments and given warnings at the time they were being made, and whether Mr C's vulnerabilities ought to lead to a refund.

Regarding the payments that were made within the period of the CRM Code. The CRM Code states, broadly speaking, that firms should look to identify payments that present a scam risk and then deploy a proportional response to that risk. Typically, the response would involve delivering what the CRM Code describes as an 'effective warning'.

The payments involved here might be argued as both high in value and out of character for Mr C. And in turn there could be an argument for saying Lloyds ought to have carried out a proportionate intervention and delivered an effective warning. But, even if I were to find there had been a failure to intervene on Lloyds' part here, I still wouldn't be able to say that Mr C was due a refund under the CRM Code. That's for the same reasons I've set out above; the protection of the CRM Code and the eligibility for reimbursement don't apply. And so I couldn't make an award on the basis that part of the CRM Code hadn't been met by Lloyds when there would be no entitlement to a refund anyway.

I've also thought about whether Mr C would be due a refund outside of the CRM Code (as mentioned the first four payments predated the introduction of the CRM Code). There are industry standards, codes, and best practices which broadly mirror the requirements of the CRM Code. And there are circumstances in which I might find a firm had failed to act and had, in turn, gone on to fail to prevent an avoidable loss. But for an award to be made I would still need to be satisfied the loss was the result of a scam. It wouldn't be fair and reasonable for a firm to reimburse a failed investment. It isn't for a firm to advise as to the wisdom of investment decisions. Any reimbursement would still be dependent on the loss being the result of a scam, and here I'm not persuaded it was.

Similarly, given the length of time (February 2018 to May 2021 until December 2023) between the payments being made and Mr C approaching Lloyds, alongside the fact that by that point, H had entered administration, I don't think anything Lloyds did or didn't do would've impacted whether a recovery could've been made. I think it's more likely than not that any recovery efforts were destined to fail after such a long period of time.

I'm mindful that Mr C has said he was vulnerable at the time he made these payments. But the evidence I've seen doesn't suggest that Lloyds had been notified of any vulnerabilities or needs, such that it should have known to take additional steps to protect Mr C. The CRM Code has specific sections which discuss enhanced protection for vulnerable customers. But, again, this only applies when the payments involved are the result of a scam and so covered by the CRM Code. But that isn't the case here. That being so, the reasons that a consideration of vulnerability don't lead to a different outcome are an echo of what I've already set out above.

I'm sorry to hear of what's happened to Mr C and I have a great deal of sympathy for him. He has lost a significant amount of money and I don't doubt he has been badly let down by H. But I'm not persuaded this is something that Lloyds can fairly be said to be responsible for. And it follows that there isn't a reasonable basis upon which I can require it to do more to resolve this complaint.

If new material evidence comes to light at a later date to show H was operating a scam, then Mr C would be able to ask Lloyds to reconsider this matter (and may ultimately be able to refer the issue back to us if he is unhappy with Lloyds' response).

My final decision

For the reasons outlined 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 Mr C to accept or reject my decision before 19 August 2025.

Stephen Wise
Ombudsman