

The complaint

Mr S complains that Lloyds Bank PLC ('Lloyds') as the receiving bank, could've prevented the loss he suffered as the result of a scam.

What happened

In 2021, Mr S was looking for investment opportunities. He received a call about buying artwork as an investment. I'll refer to the company offering the investment as P.

Mr S made a payment of £10,000 from his account in March 2021, to P's account, which was held with Lloyds.

Ultimately, P went into liquidation and Mr S believes it was a scam.

Mr S raised a fraud claim with Lloyds in January 2024, through a professional representative.

Mr S says:

- Lloyds failed to properly verify P when allowing them to open an account
- Lloyds failed to prevent P from sending huge sums of fraudulently obtained money from their account, despite the account conduct being extremely concerning.
- Lloyds failed to act quickly and take appropriate action when notified of fraud by his sending bank.

Lloyds investigated Mr S's complaint but didn't refund him. Lloyds said there were no handling errors in relation to P's account when Mr S's payment was made.

Mr S wasn't happy with Lloyds' response, so he brought a complaint to our service.

An investigator looked into Mr S's complaint but didn't recommend that Lloyds refund him. The investigator wasn't satisfied that Mr S's payment was made as the result of an APP scam. So, he wouldn't have expected Lloyds to have intervened and couldn't fairly hold them liable for Mr S's loss.

Mr S disagreed with the investigator's opinion and provided a substantive response, and supporting evidence, to show S were operating a scam.

The investigator addressed the points raised by Mr S and his representative, saying that they didn't change the outcome on the case. Mr S asked for an ombudsman to review the case.

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.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

Lloyds are a signatory of the Contingent Reimbursement Model (the CRM Code). This sets out what is expected of the 'sending firm' and 'receiving firm' when payments are made or received. Lloyds are the receiving firm in this complaint.

The CRM Code says the receiving firm should take reasonable steps to prevent accounts from being used to launder the proceeds of APP scams. This should include procedures to prevent, detect and respond to the receipt of funds from APP scams. Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

In such circumstances to fairly and reasonably be able to ask Lloyds to refund Mr S's loss, I'd need to be satisfied that it incurred as a result of a fraud or scam.

For a payment to be considered part of a fraud or scam it must be established that the recipient's (P's) purpose in obtaining the payment was fraudulent. In other words, that the recipient had criminal intent at the time the payment was made and that there is convincing evidence to show this.

Based on the evidence, I'm not satisfied that the payment can fairly be said to have been made as the result of a fraud or scam. I say this because Mr S hasn't evidenced that his funds weren't used to purchase the artwork. Mr S has told us that he sold two pieces of artwork, and he used the funds from the sale to make further purposes. So, I'm satisfied it's more likely than not that P used his funds for the intended purpose.

In relation to the points Mr S's representative has made:

- While there is strong evidence that there was misrepresentation about P's role and involvement in the investment, it is generally accepted that artwork existed. I say this based on the evidence from storage companies confirming the existence of prints. Also, it was confirmed in the High Court hearing of October 2024, held in relation to a freezing order. And, misrepresentation or a failing of fiduciary duty, doesn't necessarily mean that it was a scam.
- There is evidence of contracts with different artists and some secondary market sales. And, while the agreed mark-up of artwork was significant, in the art world, a high mark-up is common. It doesn't mean that it was fraud. It's worth noting that some of the newer artists didn't agree that their work had been overvalued – although I appreciate their view may be biased.
- As part of Mr S's submissions, he included a judgement handed down in relation to a hearing and the freezing of the accounts linked to P. Mr S has pointed to comments by the judge, in their findings, that there was a good arguable case for fraud. But the judgement also made it clear the threshold for a "good arguable" case is low – lower than 50%, so falls below the balance of probabilities threshold. Also, the judge was at pains not to conduct a fraud hearing, despite both parties making substantive arguments in that respect. The judge was careful to say the dispute in relation to the price/value of the art and the secondary market were matters for trial and drew no conclusions.
- I'm aware that P and the administrator/liquidator have settled out of court, so a trial

didn't occur. Mr S's representative says this is an admission of fraud. However, the liquidator/administrator has confirmed that the details of the settlement were confidential, there was no admission of liability or fraud or guilt. And, although P were going to pay a sum to them, the amount was not disclosed or what it related to.

- The liquidator appears to be pursuing P for fraudulent trading and have indicated to Mr S's representative they believe the matter is a scam due to the overinflated prices that investors were charged for the art. The liquidator potentially reports up to £21million obtained from investors with only £5million being used to purchase prints. But we don't know what the other £16million was potentially used for i.e. overheads, staff, or whether the money was misappropriated.
- The liquidator says 95% of investor funds went to the company director, but no detail has been provided about what happened to the funds following that or what they were used for.

Based on the evidence, I'm satisfied that it's more likely than not Mr S's funds were used for the intended purpose by P. Especially as Mr S was able to sell two pieces of artwork which he purchased from P. As I'm not persuaded that this was a fraud or scam, there was no basis for Lloyds to have intervened in the operation of P's account or have prevented funds from leaving it.

The account opening

Our service can only consider complaints about acts or omissions in relation to account opening that happened after 31 January 2019, when it came within our jurisdiction. More information about this can be found in the Financial Conduct Authority Handbook DISP 2.7.6R(2B).

As P's account with Lloyds was opened prior to January 2019, it's not within our jurisdiction and I can't look into this element of Mr S's complaint.

Lloyds response to the notification of alleged fraud

I would expect Lloyds to respond in a timely manner and take appropriate steps when notified of alleged fraud. However, by the time Mr S reported the fraud in 2024, P's account had already been closed. As P's account was closed in 2022, two years before Mr S's fraud report, no funds would've been recoverable.

If material new evidence comes to light at a later date, which proves that this was an APP fraud, Mr S can ask Lloyds to reconsider his claim at that point. But, based on the current evidence, I'm not satisfied that I can fairly ask Lloyds to refund Mr S.

My final decision

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 September 2025.

Lisa Lowe
Ombudsman