

The complaint

Company N complains that Lloyds Bank PLC ('Lloyds') has not refunded losses incurred through what it believes to have been a series of fraudulent transactions.

What happened

Company N began dealing with a supplier (which I will refer to as Company E) in June 2023. It had made multiple successful purchases through Company E.

However, multiple orders placed by Company N in early 2024, totalling in excess of £470,000, were not fulfilled or refunded by Company E.

Company E provided excuses, but ultimately Company N's director became concerned this had been a scam.

Lloyds looked into what had happened. At the time, it was a signatory of the voluntary scam reimbursement scheme (the Contingent Reimbursement Model Code, or CRM Code). That requires it to reimburse scam victims in many circumstances. But the CRM Code only applies to payments made which meet what the code defines as being Authorised Push Payment scams (APP scams).

That definition is given in the CRM Code at DS1(2)(a): APP Scam – *“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: (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.”*

Lloyds said it couldn't establish that the payments made by Company N were an APP scam. It said it wasn't responsible for the loss Company N had incurred.

Company N didn't accept this outcome and referred a complaint about Lloyds to this service for independent review.

Our Investigator didn't think Lloyds was wrong to say that the CRM Code didn't apply. He thought that the evidence pointing to fraudulent intent on the part of Company E when the payments had been made was inconclusive. He said if more convincing evidence came to light in future Company N could ask Lloyds to reconsider the CRM Code claim. But as things stood he didn't require Lloyds to reimburse Company N for the money it had lost.

Company N didn't accept the Investigator's findings. In light of the disagreement, I have been asked to review the matter and reach 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time. Where the evidence is incomplete or missing, I am required to make my findings based on a balance of probabilities – in other words what I consider is most likely given the information available to me.

I would firstly I like to reassure the parties, while I've summarised this complaint briefly, in less detail than has been provided, and in my own words, I have carefully read and considered everything provided in relation to Company N's case. 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.

In broad terms, the starting position at law is that a bank such as Lloyds is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the relevant Payment Services Regulations and the terms and conditions of the customer's account.

Here, neither side disputes that Company N authorised the alleged scam payments to Company E. Company N is therefore presumed liable for the amounts it instructed Lloyds to pay.

That being said, where the payments can be shown to have been the result of dishonest deception intended to defraud the payer, Lloyds may be required to reimburse the resultant losses in some circumstances.

Specifically, the voluntary CRM Code provides for reimbursement of APP scam victims in many cases.

The CRM Code applies only to APP scam payments. The first part of the code's definition relates to the payer being "*deceived into transferring the funds to a different person*". I've seen nothing to suggest that applies here. Company N's payments appear to have been made to the intended payee Company E. That element of the APP scam definition does not apply.

Turning to the second part, this requires that the payments made were for "*purposes [...] which were in fact fraudulent*".

This relates to the purposes of the payee at the time the payments were procured. The purpose(s) of the payee at the point of each payment needs to be established to have been fraudulent in nature.

The Code itself doesn't define "fraudulent" purposes. Therefore, I find these words ought to carry their natural meaning, in the context in which they are being used. And having carefully considered that, I'm satisfied that it is intended for customers to be reimbursed where they have been dishonestly deceived as to the purpose (or purposes) for which their payment was being obtained.

Section DS2(2) makes it clear that "private civil disputes" between the paying bank's customer and a legitimate supplier aren't included, even if the relevant goods or services

were never received or were defective. This shows that a dispute which could only be pursued in the civil courts as a private claim isn't an APP Scam. It further shows that simply not receiving what was paid for is not proof of an APP Scam. To take the matter beyond a mere private civil dispute between the parties, there must be convincing evidence to show that a crime was committed against the payer in fraudulently obtaining their payment for purposes other than the legitimate purpose for which the payment was made.

Crucially, the onus here rests on Company N to establish that this was a criminal scam intended from the time of the payments in question. It was not for Lloyds to carry out an investigation into Company E in an attempt to prove Company N's allegations.

Company N's complaint hinges upon these points. Company N asks me to find that Lloyds was incorrect in concluding this has not been shown to be an APP Scam. Given the serious nature of criminal allegations, to reach such a finding I'd need to see convincing evidence to establish that Company E's purposes in procuring the payments were in fact fraudulent.

That excludes other possibilities, such as the payment being taken in good faith but where something later changed – even including a later attempt to misappropriate funds. That would not speak to the purposes of Company E at the point of the payments.

Of course, attributing intent to a limited company is typically not a straightforward matter. I'd need to be able to establish whose intent could properly be considered that of Company E (its controlling mind and will), and then that the intent of that person was to defraud Company N. If an employee subsequently misappropriated the funds of Company E, that would not make Company E itself a fraudulent enterprise at the time of Company N's payments.

The evidence here persuades me that Company E operated legitimately for a period of time prior to the point of the disputed payments. In correspondence with Company N it suggests it had encountered problems with its own suppliers. That explanation is alleged by Company N to be false. It argues that while Company E initially was operating legitimately that changed at some point and the enterprise became fraudulent.

In support of this, Company N has provided an email giving the liquidator's comments on Company E:

"Whilst our investigation is ongoing, it appears that the non-delivery of stock that caused the Company to stop trading was not part of its usual trading patterns and has been a result of fraud instigated either by the management or employees of the Company".

Of course, the liquidator's position is aligned with the interests of the creditors (of which Company N is one). But despite its potential partiality, I do nonetheless consider it has evidential value. The liquidator is in a position to have access to information not publicly available about the operation of the company.

Yet, while stating the non-delivery of stock was the result of fraud, the liquidator's comments indicate uncertainty as to whether this was a fraud inherent in the company, committed by the director, or by another controlling mind of the company, or by instead by an employee of the company misappropriating its funds and causing the collapse of an otherwise legitimate firm.

And even if it were possible to establish who was responsible, for the purposes of the CRM Code any fraud needed to have been intended at the point of Company N's payments (or before). Any subsequent fraud, or misappropriation would not mean that Company N's payments had been procured for fraudulent purposes, unless that had always been the

intention.

The liquidator's comments do not indicate it has established these key points, or that it can publicly state what the fraud comprised (or indeed that it is in a position to refer the matter to the police for criminal prosecution). Having reviewed the liquidator's latest report published on Companies House less than a week ago, I am satisfied this remains the case.

I cannot conduct a police-style criminal investigation into Company E or its controlling minds. I don't have the power to compel those controlling Company E to provide their side of the story or to explain where funds were transferred. And while Company N points to concerns it has about the later flow of funds from Company E, I don't consider these concerns are sufficient in themselves to establish criminal intent was inherent in Company E or that it was present at the relevant times.

I can only base my findings on that information I have been provided with by the parties to this complaint or that is publicly available to me. I am required to reach a decision based on that available evidence and to make a determination on whether Lloyds was incorrect in its handling of Company N's claim. It's not open to me to delay reaching that decision until the a typically lengthy liquidation process concludes.

And as matters stand, I find the available evidence is not sufficient to persuade me that Company N's payments were procured at the time for fraudulent purposes.

It follows that I don't find Lloyds was at fault in stating that Company N's payments did not meet the CRM Code's definition of an APP Scam. Therefore, I do not find Lloyds reached an incorrect outcome in saying it was not required to reimburse Company N under the terms of the CRM Code. As I do not find that outcome was unjustified, I cannot fairly require it to reimburse Company N now.

Outside the provisions of the CRM Code, I do not consider there was any reason that Lloyds should not have processed Company N's payment instructions when it did. The payments were broadly in line with prior payments made to Company E. I do not find the bank liable for its actions in this respect, or for any other reasons.

In saying this, I know this will not be a satisfactory answer for Company N or its director. The company has lost a considerable sum through these transactions. But for the reasons I have explained above, I don't find Lloyds assessed Company N's claim under the CRM Code incorrectly, given the evidence and information currently available.

It is possible that compelling new evidence may later come to light showing fraudulent purposes contrary to the legitimate purposes Company N believed Company E had at the time. While I cannot compel Lloyds to revisit the matter should that transpire, the CRM Code is a voluntary scheme and doesn't preclude discretionary reimbursement.

It therefore would remain open to the bank to reconsider Company N's claim against the CRM Code and decide reimbursement in that event. But that does not change the findings I have been asked to make about Lloyds' original response to Company N's claim - based on the information available then and now.

To recap, I do not find Lloyds handled Company N's claim unfairly based on the evidence currently available, or that Lloyds must reimburse Company N for the outstanding loss it has incurred. It is simply the case that I do not find the bank to have been at fault in any way that would make it liable to do so.

My final decision

For the reasons given above I do not uphold Company N's complaint about Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 28 July 2025.

Stephen Dickie
Ombudsman