

The complaint

Mr U complains Lloyds Bank Plc (“Lloyds”) has declined to reimburse him £10,000 which he says he lost to an investment scam.

What happened

Mr U was told about an investment opportunity with a company I will refer to as “V” by a friend of his.

Interested, Mr U attended a conference hosted by V and spoke with other investors who appeared to have successful investments and who had been able to withdraw returns from their accounts at V. Mr U also received brochures and FAQs in relation to V.

Mr U decided to invest and transferred £10,000 from his Lloyds account to an account held in the name of one of the Directors of V in November 2022. Later, Mr U attempted to make a withdrawal from his account but did not receive the requested funds. Mr U was then told that the Financial Conduct Authority (“FCA”) had halted all withdrawal processes at V.

In 2024, Mr U raised a scam claim with Lloyds but Lloyds declined to offer him a refund of the amount he had lost. It said the activities of V were still being looked into but at the current time, it felt Mr U’s circumstances most likely amounted to a civil dispute between him and V, rather than a scam.

Unhappy with Lloyds’ response, Mr U referred his complaint to our service and one of our investigators looked into things.

The investigator thought it was more likely than not that V was operating as a scam. They therefore assessed the complaint under the Lending Standards Board’s Contingent Reimbursement Model (“CRM”) Code and said they didn’t think any of the exceptions to reimbursement as set out in The Code could fairly be applied to Mr U’s circumstances. They therefore recommended a full refund of the £10,000 lost from Mr U’s Lloyds account, as well as 8% simple interest from the date Lloyds declined Mr U’s complaint under the CRM Code to the date of settlement.

Mr U accepted the investigators findings but Lloyds did not. It said it couldn’t reach an outcome on Mr U’s case yet as there was an ongoing investigation into V’s activities being carried out by the Financial Conduct Authority (“FCA”). It therefore felt our service should wait until the investigation being carried out by an official body was concluded before deciding Mr U’s case too.

As an informal agreement could not be reached, the complaint has been 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.

Is it appropriate for me to determine this complaint now?

I have considered whether it would be appropriate to delay my decision in the interests of fairness whilst the FCA investigation into the activities of V is still ongoing.

There may be circumstances and cases where it's appropriate to wait for the outcome of external investigations. But that isn't necessarily so in every case, as it may be possible to reach conclusions on the main issues on the basis of evidence already available.

In order to determine Mr U's complaint, I have had to ask myself whether, on the balance of probabilities, the available evidence indicates that it's more likely than not that he was the victim of a scam rather than a failed investment. But I wouldn't proceed to that determination if I consider fairness to all parties demands that I delay doing so.

I'm aware that Mr U first raised his claim with Lloyds in February 2024 and I need to bear in mind that this service exists for the purpose of resolving complaints quickly and with minimum formality. With that in mind, I don't think delaying giving Mr U an answer for an unspecified length of time would be appropriate unless truly justified. And, as a general rule, I'd not be inclined to think it fair to the parties to a complaint to put off my decision unless, bearing in mind the evidence already available to me, a postponement is likely to help significantly when it comes to deciding the issues.

I'm aware the above processes might result in some recoveries for V's investors; in order to avoid the risk of double recovery, Lloyds would be entitled to take, if it wishes, an assignment of the rights to all future distributions to Mr U under those processes in respect of this investment before paying anything I might award to Mr U on this complaint. However, for the reasons I discuss further below, I don't think it's necessary to wait for the outcome of the FCA's investigation for me fairly to reach a decision on whether Lloyds should reimburse Mr U under the provisions of the CRM Code.

Has Mr U been the victim of an APP scam, as defined in the CRM Code?

It isn't in dispute that Mr U authorised the payment under discussion here. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he's liable for the transaction in the first instance. However, that isn't the end of the story.

Lloyds was signed up to the voluntary CRM Code, which provided additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances). But the CRM Code only applied if the definition of an APP scam, as set out in it, was met. I have set this definition out 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."

I've therefore considered whether Mr U's circumstances meet the definition of an APP scam as set in the CRM Code above. Having done so, I think that they do. I'll explain why in more detail below.

This service is now aware of a number of issues related to V which suggest it is more likely than not that it was operating as a scam:

- V's claims of it being (at least) in the process of being regulated with relevant bodies such as the FCA in the UK and the CSSF in Luxembourg are false.
- There is no evidence to substantiate V's claims around the profits it says it was able to generate via Forex trading.
- It appears that less than half of the funds sent by potential investors to the scheme were used for the intended purpose of Forex trading. Whereas it was Mr U's understanding that his funds would be moved to a trading account to be used in Forex trading straightaway.
- V's account provider has shown that when V applied for accounts it lied at least twice, this was about partnering with a trading exchange and that it was regulated.
- We have also seen evidence that none of the funds sent to V's business accounts were used for the intended purpose of trading in Forex.

Considering all of the above, I do not think V was using investor funds, such as Mr U's £10,000, for the purpose they were intended for. And I think this difference in purpose is down to dishonest deception on V's part. It follows that I think this complaint meets the definition of an APP scam as set out in the CRM Code above.

So, returning to the question of whether in fairness I should delay reaching a decision pending developments from external investigations, I have explained why I should only postpone a decision if I take the view that fairness to all parties demands that I should do so.

In view of the evidence already available to me as set out above, I don't consider it likely that postponing my decision would help significantly in deciding the issues. Regarding, the FCA's investigations, there is no certainty as to what, if any, prosecutions may be brought in future, nor what, if any, new light they would shed on the evidence and issues I've discussed here. And, as I've set out above, I'm satisfied I already have enough available evidence to decide that Mr U's circumstances, on the balance of probabilities, meet the definition of an APP scam as defined by the CRM Code.

Is Mr U entitled to reimbursement under the CRM Code?

I've then gone on to consider whether Lloyds should refund Mr U under the provisions of the CRM Code. There are generally two exceptions to reimbursement within the Code:

- Mr U ignored an 'Effective Warning'

- Mr U made the payment without a reasonable basis for believing it was for genuine goods or services; and/or V was legitimate.

Lloyds has said it didn't provide a warning for the payment Mr U made from his Lloyds account as it did not flag on its fraud detection systems. Because of this, Lloyds hasn't demonstrated Mr U ignored an effective scam warning for the purposes of the CRM Code. So, there is no exception to full reimbursement in relation to this point.

I have then considered whether Mr U had a reasonable basis to believe V were legitimate and were providing a genuine investment product at the time he made the payment now under discussion. In doing so, I have taken into account that Mr U had:

- spoken with investors who had already successfully received returns
- attended a conference where he was able to meet the directors of V personally
- received professional and convincing product literature
- been recommended the investment by a friend who spoke highly of V
- been able to look up V online and not seen anything untoward
- viewed a professional looking website and had access to an online portal that looked to be genuine

Mr U has said he recognised that the returns being offered here were high but this didn't concern him as others has told him they were being received and so this persuaded him that what V was offering was plausible. And considering all of the other points above, I think this was enough to reasonably convince Mr U that this was a genuine investment he could trust. With this in mind, I don't think Mr U made the payment he made without a reasonable basis of belief that V and the investment itself was genuine. I therefore do not think Lloyds can apply an exception to reimbursement, so it should reimburse Mr U in full.

Putting things right

Lloyds should reimburse Mr U the £10,000 he lost to this investment scam. Lloyds should also apply 8% simple interest from the date of the investigator's view to the date of settlement.*

I say this because the information our service has relied upon to uphold Mr U's complaint was not readily available to Lloyds when the scam claim was first raised. So, it's likely Lloyds would not have been able to identify the issues that led to the complaint eventually being upheld at that time.

*If Lloyds considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr U how much it's taken off. It should also give him a tax deduction certificate if e asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 26 September 2025.

Emly Hanley Hayes
Ombudsman