

The complaint

Mr and Mrs C complain that Lloyds Bank PLC ('Lloyds') hasn't refunded the money they believe they lost to an authorised push payment ('APP') scam.

Whilst the complaint relates to payments from Mr and Mrs C's joint account, it was Mrs C who referred the complaint to this service. So, for ease of reading, I've referred only to Mrs C throughout my decision.

What happened

In February 2024, Mrs C was looking to buy a second-hand car. Having seen what appeared to be a suitable car advertised on a well-known online marketplace, Mrs C contacted the seller of the vehicle – whom I'll refer to as 'L'.

L said the car needed some remedial works carrying out, but agreed to have these completed before selling the car to Mrs C. So, Mrs C paid L a £500 deposit on 5 February 2024, which L said would be refunded if Mrs C decided not to buy the car once she'd seen it in person.

On 23 February 2024, L delivered the car to Mrs C's home. Mrs C was satisfied with the condition of the car and agreed to buy it. She gave L £2,000 in cash and made a faster payment of £8,795 to L to pay the outstanding balance.

On 6 March 2024, Mrs C discovered that the vehicle identification number ('VIN') stamped on the dashboard of the car was different to the VIN stamped on the driver's side door. Mrs C completed a HPI check on the second VIN and discovered it didn't match the vehicle registration number ('VRN'). The HPI check showed there was an existing finance agreement attached to the car Mrs C had bought, and the car had been reported as stolen.

Mrs C contacted L about the situation. L said they had purchased the car from a third party they'd done business with before and didn't know the car had been stolen or that a cloned VRN had been fixed to it. L apologised for the situation and agreed to take the car back and provide an alternative car to Mrs C, or a refund of all the money she'd paid.

L said he had recently purchased a car that he could replace the stolen car with. L said that if Mrs C was happy to take ownership of the second car, he would pay off the existing finance agreement attached to it and transfer ownership of the car to Mrs C. It was agreed that Mrs C would visit L on 24 March 2024 to inspect the second car.

On 23 March 2024 (the day before Mrs C was due to inspect the second car), L transferred ownership of the second car to Mrs C. The same day, Mrs C also taxed and insured the second car. However, after inspecting the second car on 24 March 2024, Mrs C wasn't happy with it and asked L for a refund of the money she'd paid for the first car instead.

L agreed to refund Mrs C, but said Mrs C would need to wait two weeks as L had just paid off the finance on the second car. L made various promises to refund Mrs C over the next two months and also made several excuses as to why a refund hadn't been forthcoming.

In April 2024, Mrs C reported L to the police. However, the police said it looked like L had purchased the car in good faith and so it wasn't considered to be a criminal matter, rather a civil dispute between Mrs C and L. But the police did say L should either return the car to Mrs C or provide her with a refund.

In May 2024, Mrs C discovered that the second car, which she had rejected, still had a finance agreement attached to it, despite L saying the finance had been paid off.

L didn't return the stolen car to Mrs C and in June 2024, it was located by the finance company. Photographs taken by the finance company showed some car parts had been removed. To date, no refund has been provided by L.

Mrs C reported the situation to Lloyds and asked for a refund. Lloyds didn't think it was responsible for reimbursing Mrs C, as it didn't agree she'd been the victim of an APP scam. Instead, Lloyds said it was a civil dispute between Mrs C and L.

Unhappy with Lloyds' response, Mrs C referred her complaint to this service. Our Investigator considered the complaint but didn't uphold it. They weren't persuaded Mrs C had been the victim of an APP scam and considered Mrs C's claim to be a civil dispute with L, meaning Lloyds wasn't responsible for reimbursing her loss.

Mrs C didn't accept our Investigator's opinion. As an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

At the time Mrs C made the disputed payments, Lloyds was signed up to the Lending Standards Board's Contingent Reimbursement Model Code ('CRM Code'). The CRM Code provided additional protection from APP scams, but only in certain circumstances.

When Lloyds received Mrs C's claim, it said it didn't think she'd been the victim of an APP scam, meaning it didn't need to reimburse her under the principles of the CRM Code because it didn't apply to her circumstances. For me to say that decision was wrong – and Lloyds should've refunded Mrs C's payment in full – I'd first need to be satisfied that the CRM Code is a relevant consideration in the circumstances.

The CRM Code can only apply where the victim's payment meets the CRM Code's definition of an APP scam. Under DS1(2)(a) of the CRM Code, an APP scam is defined as:

“(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.”

DS2(2)(b) of the CRM Code says it doesn't apply to:

"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"

There's been no suggestion made that L wasn't the person Mrs C intended to pay. So, she wasn't *"deceived into transferring the funds to a different person"*. This means DS1(2)(a)(i) doesn't apply in these circumstances.

The purpose of a payment forms part of the CRM Code definition of an APP scam under DS1(2)(a)(ii). As such, the reason Mrs C made the payments is a relevant consideration when determining whether the CRM Code applies in these circumstances or not.

For me to say the CRM Code applies in this case, I need convincing evidence to demonstrate Mrs C was dishonestly deceived about the very purpose of the payments she made – i.e., that her funds were criminally obtained. So, to uphold Mrs C's complaint under DS1(2)(a)(ii) of the CRM Code, I'd need to be reasonably satisfied that it is more likely than not that L received her payments for a fraudulent purpose.

Mrs C believed that she was sending funds to L to buy a specific car. Whilst she did receive a car in exchange for her payments, it wasn't the car she thought she was buying. In fact, she was buying a stolen car, which had a cloned VRN of the car she thought she was buying fixed to it.

For me to say that L received Mrs C's funds for a fraudulent purpose, I need to be satisfied that it is more likely than not that L was aware the car he sold to Mrs C was stolen and that it had a finance agreement attached to it.

I can't say for certain if L was aware that they were selling Mrs C a stolen car which had a finance agreement attached to it. In such circumstances, I have to base my outcome on the balance of probabilities, that is, what I consider is more likely than not to have happened, based on the evidence presented to me.

Mrs C believes she's been the victim of an APP scam, for the following reasons:

- she was sold a stolen car that still had a finance agreement attached to it;
- the car had two different VINs stamped on it, which L ought to have noticed given the work they said had been done to the car before it was sold to her;
- she received a "*New keeper slip*" quoting the VRN of another car, which can't have been a genuine document given the car was stolen and registered under a different VRN;
- she didn't receive confirmation that she was the new registered keeper of the car;
- there were various issues with the car once it was purchased (such as the rear lights not working properly and a spare key not being provided), which L agreed to rectify, but never did;
- L registered a second car to Mrs C which also had an existing finance agreement attached to it and L hadn't paid off the finance as stated;
- L has failed to keep any of the promises they made to refund Mrs C;
- L didn't return the car to Mrs C and instead removed some of the car's parts, which have likely been sold or used to refurbish other cars;
- the police have been investigating L about the sale of the stolen car; and
- after Mrs C reported L to the police L's conduct changed, and they became abusive and threatening towards her.

So, Mrs C has demonstrated behaviour from L which could indicate poor – and possibly illegal – business practices and it's plausible that L knowingly sold her a car that had been stolen. However, I'm not persuaded that the above arguments demonstrate that it is more likely than not that L knew (at the time Mrs C made the faster payments) that they were selling a stolen car to Mrs C.

I've looked at online reviews of L. These are mostly positive reviews, dating back over several years. However, I haven't placed much weight on the positive online reviews, because I can't verify them. There are negative online reviews, but there are no reviews suggesting L has sold other customers stolen cars or sold cars that have a finance agreement still attached to them. I find the lack of other reports similar to Mrs C's circumstances to be particularly persuasive here. If L has orchestrated a scam, then it seems unlikely that Mrs C would be L's only victim.

L's bank has confirmed that it has received no other reports accusing L of scamming customers. Again, the lack of other reports suggests L has been operating a genuine business.

If L was a scammer, it seems unlikely that he would continue to communicate with Mrs C once the disputed payments had been made, as typically scammers will cease communication once they've received payment from their victim. In this case, L continued to communicate with Mrs C for several months after the payments were made and their behaviour only changed once Mrs C reported L to the police, causing a complete breakdown in the relationship.

L did provide Mrs C with a vehicle check they'd received, based on the cloned VRN and false VIN, which showed that there was no outstanding finance on the car Mrs C thought she was buying from L. So, unless L knew the car was stolen, this would indicate that they didn't know there was a finance agreement attached to the car Mrs C was buying or that it had been stolen and was displaying a fake VRN.

I accept it's possible that L knew the car was stolen and has scammed Mrs C into buying it. However, it's also possible that L didn't know the car was stolen, whether that was due to an innocent mistake or because L failed to check the car thoroughly before selling it to Mrs C.

It's also possible that L never intended to refund Mrs C. But it's also possible that L had every intention of reimbursing Mrs C but was unable to do so, due to a cashflow problem for example.

I appreciate that in November 2024, the police confirmed that they were investigating L, but I'm not aware of any charges being brought to date. I accept the police work to a different standard of proof to this service. The police need to prove beyond all reasonable doubt that L was acting fraudulently to secure a conviction, whilst this service makes findings based on what's more likely than not. However, I think the lack of police charges against L and the original decision that this was a civil matter support Lloyds' argument that this wasn't an APP scam and is, in fact, a civil dispute between Mrs C and L.

I accept that even if Mrs C was successful in a civil claim against L that this is unlikely to result in her receiving her money back, as L has said if that were to happen, they would close their company down, preventing any enforcement action of what a court might award to Mrs C if her claim was successful. However, that doesn't mean Lloyds can fairly be held responsible for Mrs C's loss instead.

I recognise that the circumstances might change in the future. Material new evidence may become available to Mrs C – such as the police charging L with fraud. If that is to happen, then Mrs C can provide further evidence to Lloyds and ask it to reconsider her claim.

I'm sure this situation has caused Mrs C distress and disappointment. I recognise that she has paid for a car that she no longer has possession of and that she has suffered a significant loss as a result. However, whilst I'm sympathetic to her situation, I'm not persuaded she has demonstrated that L most likely knew the car they sold Mrs C was stolen at the time the payments were made.

As a result, I can't say Mrs C has demonstrated she has, most likely, been the victim of an APP scam. This means I can't fairly hold Lloyds responsible for refunding Mrs C's loss under the principles of the CRM Code.

My final decision

For the reasons explained 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 and Mrs C to accept or reject my decision before 6 August 2025.

Liam Davies
Ombudsman