

The complaint

Miss V complains that Lloyds Bank PLC (as the recipient bank) didn't do enough to prevent the loss she suffered when she sent money to its customer's account as the result of an alleged scam.

Miss V initially referred her complaint to us with the help of a representative. But for ease of reading, I'll mostly just refer to Miss V herself where I also mean the representative.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here. Miss V was introduced to an investment opportunity with a company called 'H'. In April 2019, she sent three payments totalling £25,000 to an account held with Lloyds to fund her investment. Miss V says she received an interest payment of £3,000 in May 2021. H eventually entered insolvency proceedings, but Miss V says, based on information that has since come to light, she believes that H were operating a fraudulent "*ponzi scheme*".

Miss V complained to Lloyds. She asked that it reimburse her remaining loss. In short, Lloyds didn't uphold Miss V's complaint as it considered this to be a failed investment – not a scam. It said for these reasons she wouldn't be eligible for a refund under the Lending Standards Board's Contingent Reimbursement Model Code (the CRM code) or otherwise.

Unhappy with this, Miss V referred her complaint to our service. Our Investigator didn't think we could consider all of her complaint. And for what we could consider, he didn't recommend the complaint should be upheld. Miss V disagreed with the Investigator's conclusion that the payments can't fairly be said to have been made as the result of a fraud or scam.

In an attempt to resolve matters at the earliest possible stage, I spoke to Miss V. I explained that even if I were to accept the disputed payments were made as the result of a fraud / scam, this alone wouldn't entitle her to a refund from Lloyds. In such circumstances to direct Lloyds to refund her outstanding loss I'd need to be satisfied:

1. it had failed to meet its obligations under applicable regulations; and
2. crucially that it could fairly and reasonably be concluded that its act or omission was the cause of her loss.

In other words, could Lloyds have reasonably prevented the losses she has suffered.

I talked Miss V through the reasons for why I can't conclude that Lloyds actions, or its failure to act, can be said to be the cause of her loss. However, Miss V maintained large amounts of money into an account should've resulted in Lloyds doing something more. She believes this was misappropriation, and that Lloyds have failed in its due diligence. She asked for a written decision.

I've issued a jurisdiction decision which explains that Miss V is an eligible complainant, and I can consider her complaint against Lloyds. But my considerations will be limited to those which arise from matters relevant to her relationship with Lloyds under DISP 2.7.6R(2B), which requires that those act(s) or omission(s) took place on or after 31 January 2019.

This decision is about the aspects of Miss V's complaint I do have the power to investigate.

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.

Having done so, I've reached the same outcome as the Investigator, in so much as, I can't uphold Miss V's complaint. I know this will be disappointing for Miss V, so I'll explain why.

Our Investigator first considered whether at the material time H were operating a scam as Miss V alleges. He concluded that he'd not seen evidence to persuade him that the fundamental purpose of the payments was meaningfully different to what Miss V thought. So overall, he didn't think the available evidence supported that the payments from Miss V to Lloyds were made as a result of a scam. But I'm not going to make a finding on this point, as in the circumstances of this complaint, I don't need to, to reach what I think is a fair and reasonable outcome.

I say this because even if I were to accept H were operating a scam it still wouldn't automatically entitle Miss V to reimbursement from Lloyds. In circumstances such as these, it wouldn't be fair to ask Lloyds to reimburse Miss V's losses unless it could fairly and reasonably be concluded that its act(s) and/or omission(s) would've made a material difference to preventing all or part of those. And for the reasons I've gone onto explain below I don't think it would've done.

Firstly, whilst Lloyds are a signatory of the CRM code – a voluntary code through which victims of authorised push payment (APP) fraud, in certain circumstances, can receive reimbursement of their losses. The CRM code came into force on 28 May 2019 and only covers APP payments completed between UK domiciled accounts on or after this date. This is set out at section DS2(2), where it says: *"This Code does not apply to ... (c) any payments completed before the coming into force of this Code"*. As the disputed payments here completed in April 2019 (before the CRM code came into effect), they are not covered under the CRM code. And even if they were, the CRM code also sets out that: *"The assessment of whether a Firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the APP scam that took place."*

Ultimately, I've not seen anything that persuades me that there has been a failing by Lloyds in the monitoring of its customer's account on or after 31 January 2019 nor the steps it took when Miss V notified it of the alleged APP fraud, where it can fairly and reasonably be concluded, that its act(s), or omission(s) were the cause of all or part of her loss.

From what Lloyds have shared, the recipient account was established (for a number of years) and operating without any concerns prior to the arrival of Miss V's funds. I can't fairly say Lloyds did anything wrong when crediting Miss V's payments to the recipient account or in allowing the funds they represented to be paid away without taking any further action. I say this because against the backdrop of how the account was being operated; its general pattern of use; and the prior account activity – the arrival and paying away of Miss V's funds wasn't unusual or suspicious. So, I can't fairly conclude that Lloyds acted unreasonably by not intervening prior to Miss V's funds being paid away.

And, even if I'm wrong about this, from the evidence I've seen H had access to multiple accounts with different firms, either directly or through linked enterprises. So even if Lloyds ought to have acted in relation to this particular account prior to Miss V's funds arriving, I don't think she would have ended up in a meaningfully different position. I say this because, on balance, it's most likely that had Lloyds blocked or closed the account, Miss V would instead have been directed to make payments to other accounts H had access to.

Similarly, if Lloyds had acted in the period after Miss V's payments had arrived, and before her funds had been paid away, I'm still not persuaded that any reasonable level of scrutiny by Lloyds during that period would have resulted in Miss V's loss being prevented because I haven't seen anything that persuades me that Lloyds failed to act upon something that would've resulted in the discovery of a scam / fraudulent intent.

At that point in time:

- Lloyds had not received any notifications of fraud;
- from what I've seen there wasn't any adverse information about H that was readily available or known to Lloyds (it also isn't their role to forensically investigate or audit a business to whom they provide banking services); and
- even now following its collapse (and multiple claims of fraudulent intent), liquidator involvement / investigations a conclusion still hasn't been reached on this matter.

So overall I'm not convinced that this was something Lloyds could've reasonably identified and unearthed during the period in question (this being the arrival and paying away of Miss V's funds); and at best if the account operation was outside of its risk appetite, Lloyds would have likely ended its relationship, and in the absence of notification of alleged fraud all it would have done is, upon closure, transferred any balance which remained to its accountholder.

From what I can see it wasn't until 2024 (several years after the payments were made) that Miss V informed Lloyds that she believed the payments she'd sent to one of its customer's accounts were made as a result of an alleged scam. I'm satisfied that at that point there wasn't much more that Lloyds could reasonably have done to assist in the recovery of Miss V's funds from the recipient account.

I appreciate that Miss V has lost out here and despite my natural sympathy for the situation in which she finds herself, for the reasons I've set out above, I'm not persuaded that in these circumstances it can reasonably be concluded that Lloyds' act(s) or omission(s) were the cause of her loss. So, it follows that it wouldn't be fair to ask Lloyds to refund Miss V's loss or do anything further.

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 Miss V to accept or reject my decision before 27 May 2025.

Sonal Matharu
Ombudsman