

The complaint

Mrs W complains that Lloyds Bank PLC hasn't reimbursed the money she says she's lost to a scam.

What happened

Mrs W saw an advertisement for a chance to invest in off-plan buy-to-let properties within buildings owned by a company which I'll refer to as 'E'. She decided to invest in two properties.

She instructed a solicitors' firm, which I'll refer to as 'D', to act on her behalf in connection with the purchases and made two payments totalling £37,800 to D for the property deposits in April 2021.

She was told that the properties would be developed within one year. But the development/sale of the properties has not been completed, and she's been unable to secure mortgages.

I understand that D has been able to recover one of Mrs W's property deposits (minus D's fees).

Mrs W believes that she has fallen victim to a scam, in the form of a Ponzi scheme or similar. She raised a fraud claim with Lloyds and asked the bank to reimburse her remaining loss. Lloyds declined to reimburse her under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code').

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.

I'm sorry to disappoint Mrs W, but I'm not upholding her complaint. I'll explain why.

The starting point at law is that Mrs W is responsible for payments made from her accounts which are properly authorised. This is set out in the Payment Services Regulations. There's no dispute here as to authorisation – Mrs W made payments to D, and they were received as intended. However, where a customer has made a payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for a firm to reimburse that customer even though their payment was authorised.

Lloyds was a signatory of the CRM Code, and it was in force when the disputed payments were made. The CRM Code was in place to see the victims of scams refunded in most circumstances. But I'm not persuaded it applies to the disputed payments. That's because they don't meet the definition of an Authorised Push Payment ('APP') scam.

The CRM Code states that it applies to payments where, "the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact

fraudulent.”

The CRM Code also says that it doesn’t apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier.

There’s no doubt that Mrs W believed the other person – D – was legitimate. But the purpose of making payments to D was legitimate too, and not fraudulent. Mrs W had a genuine relationship with D. D made no attempts to deceive Mrs W into parting with money. D was set up as a properly registered business in its own right – with its own accounts – and it entered into contracts with clients. D provided a legitimate service to Mrs W, as contractually agreed.

So, the purpose of Mrs W’s payments to D was legitimate, and Mrs W’s and D’s purposes for the payments broadly aligned.

I’m not satisfied that the evidence I’ve seen suggests that other interested parties were illegitimate or had a different intended purpose for the disputed payments either. Mrs W clearly believed the investment opportunity with E to be legitimate. And the evidence I’ve seen suggests that E was attempting to operate as a legitimate business. It was properly registered and, our Service is aware that work was started on a number of its developments. In at least two cases, the developments were completed. Some investors have taken ownership of properties and are currently renting them out. So, some investors have received broadly what they paid for.

Amongst other things, Mrs W has referred to E using unqualified quantity surveyors, changing its name several times, overstretching itself and running into financial trouble as a result, and attempting to obtain investor funds despite experiencing financial difficulties and having no intention of completing developments. But whilst this may suggest that E wasn’t acting as I might expect a professional business to act, that is not the same as the intention to operate a scam and I don’t think it shows that E never intended to use investors’ funds for projects.

I’ve also not seen anything from the relevant receivers or any other external body which concludes that E was operating a scam.

Overall, I’m not persuaded the available evidence indicates that any of the involved parties here intended a different purpose for the disputed payments to Mrs W. So, I think Lloyds has acted reasonably in saying the circumstances of this case don’t meet the definition of a scam as set out in the CRM Code, and in declining to reimburse Mrs W’s remaining financial loss as a result.

It’s possible that new material evidence may become available at a future date, which suggests that Mrs W was scammed. If that happens, Mrs W can ask Lloyds to reconsider her claim and, if she’s not satisfied with its response, she can bring a new complaint to our Service.

I’ve thought about whether Lloyds ought reasonably to refund Mrs W for any other reason, but I don’t think it should. Considering the information that was available at the relevant time, I consider it unlikely that any intervention Lloyds could’ve carried out would’ve uncovered a fraud risk and potentially prevented Mrs W’s financial loss.

I’m sorry to disappoint Mrs W. I know she has lost a significant amount of money here. But I’m not persuaded that I can fairly ask Lloyds to refund her based on the evidence that’s currently available.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W to accept or reject my decision before 14 August 2025.

Kyley Hanson
Ombudsman