

The complaint

Mr H complains that Lloyds Bank PLC ('Lloyds') won't refund the money he says was lost as the result of a scam.

What happened

In 2022, Mr H was looking for a builder to complete an extension on his home. Mr H says he looked online and received several quotes. He ended up selecting a builder who provided a mid-price quote.

Mr H says the extension was to provide a downstairs toilet/wet room as his wife had recently suffered a stroke which required him to adapt the home.

I'll refer to the builders as J and D.

These are the payments that Mr H says he made to J and D in relation to the building work.

Date	Details of transaction	Amount
10.11.2022	Payment to J	£4,500.00
5.12.2022	Payment to J	£600.00
8.12.2022	Payment to J	£1,700.00
16.12.2022	Payment to J	£2,630.00
3.1.2023	Payment to J	£1,350.00
5.1.2023	Payment to D	£2,073.00
6.1.2023	Payment to D	£1,500.00
2.2.2023	Payment to D	£350.00
3.2.2023	Payment to D	£1,215.00
9.2.2023	Payment to D	£100.00
13.2.2023	Payment to D	£519.70

Mr H says after he made the last payment to J, J stopped attending the property and blocked Mr H's calls. D, who had been working with J, agreed to complete the work. So, Mr H made further payments to D. However, D also stopped attending the property and blocked contact.

Mr H says the extension wasn't completed and what work was completed is unusable, so he had to pay another builder to complete the job.

Mr H raised a fraud claim with Lloyds in April 2024. Lloyds looked into Mr H's claim but declined to refund him. Lloyds said Mr H had a civil dispute with J and D.

Mr H wasn't happy with Lloyds' response, so he brought a complaint to our service.

An investigator looked into Mr H's complaint but didn't recommend that Lloyds refund him. The investigator said:

- Mr H's payments aren't covered by the Contingent Reimbursement Model Code

(CRM Code), as it doesn't cover issues with quality of goods. And the evidence doesn't show that J and D took the payments with no intention of doing the work.

- While J and D may've used a dissolved company name in providing the quote, which could be considered misrepresentation or unethical, it doesn't show the funds weren't used for the intended purpose.
- If Lloyds had intervened when the payments were made, it was unlikely that it would've prevented Mr H's loss.

Mr H disagreed with the investigator's opinion and asked for an ombudsman to review his case. He provided evidence of a County Court Judgement (CCJ) against D, and claims made by another customer of D. Mr H says J and D both have a criminal history, and they never intended to complete the work. The payments were unusual compared to previous account activity and Lloyds should've called to discuss them. Mr H has been a long-standing customer of Lloyds, and they have failed in their duty of care to protect him.

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 really sorry to hear about the personal difficulties that Mr H and his wife have faced. I realise they have ended up out of pocket as a result of J and D's actions, and that they've had to pay another builder to complete the extension. But I'm not making a finding about whether J or D may owe Mr H money, rather whether Lloyds can fairly be held liable for Mr H's loss.

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 there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

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 Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

Is Mr H entitled to a refund under the CRM Code?

Lloyds have signed up to the CRM Code, which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams, in all but a limited number of circumstances.

But the CRM Code does not apply to private civil disputes, for example 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.

The CRM Code defines what is considered an APP scam as, "where the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent".

In order to decide whether the circumstances under which Mr H made his payments meets the definition of an APP scam, I need to consider:

- The purpose of the payments and whether Mr H thought this purpose was legitimate.
- The purpose the recipients (J and D) had in mind at the time of the payments and whether this was broadly in line with what Mr H understood the purpose to be.
- And, if I decide there was a significant difference in these purposes, whether I'm satisfied that was as a result of dishonest deception.

Mr H was making payments to J and D for building work to be completed at his property. I haven't seen anything that suggests Mr H didn't think this was a legitimate purpose. So, I've gone on to consider what purpose J and D had in mind and whether it was in line with what Mr H thought.

In reaching an answer on what purpose J and D had in mind, the key information is:

- J and D attended Mr H's property for a number of months. During that time, they partially built the extension, including laying the foundations, erecting the walls and constructing a roof. So, they have completed a substantial amount of the agreed work. This would've required money for the tools, materials and labour involved, which suggests that Mr H's funds were used for the intended purpose.
- Mr H says the work that was completed was unusable and that he had to pay another builder to fix and complete the extension. However, the CRM Code doesn't cover dissatisfaction with the quality of goods, defective goods or disputes with suppliers.
- It's possible that the extension wasn't completed for legitimate reasons. Mr H was told that J suffered from issues with his mental health, which was why he stopped attending the property in January 2023. Later, Mr H was told that D had separate health issues. Without testimony from either J or D, I can't rule out that they ceased working for genuine reasons. But, regardless of why they didn't complete the work, there isn't any evidence that shows they took Mr H's payments with a different intention in mind, or that Mr H's funds weren't used for the costs of the building they completed.
- I haven't seen any evidence from Trading Standards, or the police, that shows J and D took Mr H's funds with no intention of doing the work.
- Mr H has provided a copy of a CCJ against D from 2024. However, there is no supporting evidence of the claims/allegations behind the CCJ, and it doesn't show what D's intentions were in 2023, when Mr H made his payments. Mr H says that J and D both have a criminal history, but we haven't been given evidence of this. Also, even if they had previous convictions, that wouldn't necessarily mean that Mr H's payments would meet the definition of an APP scam. I say this as it would depend on when the convictions occurred, what they were in relation to, and whether they provided evidence of J and D's intentions in accepting Mr H's payments between November 2022 and February 2023.

It's possible that material new evidence may come to light at a later date that demonstrates J and D's intentions when Mr H made his payments, for example, from the police or Trading Standards. If it does, Mr H can ask Lloyds to reconsider his claim.

Having carefully considered all of the information, I'm not satisfied that Mr H has shown J or D took his funds with a different purpose in mind, or that his funds weren't used for their intended purpose. On that basis, I'm not satisfied that the circumstances under which Mr H made the payments meets the definition of an APP scam under the CRM Code. So, I can't fairly hold Lloyds liable under it.

Is there any other reason I could ask Lloyds to refund Mr H?

There is an expectation for Lloyds to be on the lookout for, and to protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. Where potential fraud is identified, I would expect Lloyds to intervene and attempt to prevent losses for the customer.

Lloyds also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customers' accounts safe.

However, even if Lloyds had intervened or should've intervened, I'm not satisfied that this would've prevented Mr H's loss. I say this as I would expect that intervention to involve Lloyds asking Mr H questions about the purpose of the payments, how he found J and D, and what information he had about J.

Based on what Mr H knew at the time, I'm not persuaded that the information he would've given Lloyds should've concerned them. Mr H had found them through a legitimate tradesperson website and their quote was in line with other quotes that Mr H was given. And there was a confirmation of payee match when Mr H made the payments, which meant that the payee name matched the name on the beneficiary accounts.

So, I'm not satisfied that Lloyds acted unreasonably in following Mr H's payment instructions.

I'm really sorry to disappoint Mr H and realise that he feels Lloyds should refund him. But, based on the evidence, I'm not persuaded I can fairly hold Lloyds liable for his loss.

My final decision

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 10 September 2025.

Lisa Lowe
Ombudsman