

The complaint

Mrs G complains that Lloyds Bank PLC ('Lloyds') won't refund the money she lost as the result of a scam.

What happened

Mrs G was introduced to an investment opportunity by a friend, who I'll refer to as J. J said they'd invested with someone I'll refer to as T. J shared investment statements that she'd received showing monthly returns on her investment with T.

Mrs G asked T to come to her home and tell her about the investment. T said he was a trader, that the investment would be for 12 months and the funds would be sent to a Chicago brokerage firm. Mrs G was told her funds would be protected by the brokerage firm and that she could expect a 17% to 20% return.

J recommended T on the basis they had previously worked together, she knew he was a trader and that he'd completed an enhanced trader course. T was also a partner in the firm they worked at and had previously worked for a large bank.

Mrs G made an initial investment of £15,000 in January 2023 from her Lloyds account.

After she made her investment, Mrs G says T contacted her regularly and applied pressure for her to invest further. As part of this, he sent her information about investment opportunities that were available for a limited time only. Mrs G also received monthly statements which showed her investment was receiving just over 1% per month in returns.

Mrs G decided to invest further in May 2023. She made a payment of £10,000 from her Lloyds account and attempted to make a further payment of £10,000.

The second payment of £10,000 was blocked by Lloyds, who had concerns that Mrs G might be at risk of financial harm. Lloyds asked Mrs G to attend a branch to discuss the investment. When Mrs G attended the branch, the scam was uncovered, and the second payment wasn't made.

Mrs G raised a scam claim with Lloyds, asking that they refund her. Lloyds agreed to refund 50% of Mrs G's loss, being £12,500. They declined to refund her in full saying she didn't do sufficient checks before investing and should have talked to a financial advisor.

Mrs G wasn't happy with Lloyds' response, so she brought a complaint to our service.

An investigator looked into Mrs G's complaint but said Lloyds had acted fairly in refunding 50%. The investigator explained that under the Contingent Reimbursement Model Code (CRM Code), Lloyds could rely on an exception to reimbursement as Mrs G didn't have a reasonable basis for believing the investment was genuine. The investigator felt Mrs G should've been concerned at the unrealistic return that was being promised and, as a result, sought independent financial advice.

Mrs G disagreed with the investigator's opinion and raised the following points:

- Mrs G is aware of another case that is with our service and feels that we should consider the information on that case in reaching an answer on her case.
- Mrs G was unable to check T's company as he was a sole trader, and the brokerage firm wouldn't disclose any information as the account was held in T's name.
- If Lloyds had intervened on the first payment, the scam would've been uncovered, and the loss prevented in full.
- Mrs G had confidence in T's legitimacy based on how well her friend knew him, and her friend's confidence in his experience as a trader.
- We haven't fairly considered Mrs G's vulnerability at the time she made the second payment.
- Mrs G's friend raised a complaint with their bank, who said this was a very sophisticated scam and couldn't have been uncovered.
- It's unclear what Lloyds did to try and recover Mrs G's funds.
- Mrs G's complaint was mishandled. Mrs G asked to see a copy of her complaint and to amend it, but Lloyds wouldn't allow her to.

Mrs G asked for her case to be passed to an ombudsman for a decision.

Having reviewed the case, I reached a different answer than the investigator. So, I wanted to give both parties a chance to provide any further evidence they wanted to be considered and issued a provisional decision.

My provisional decision

In my provisional decision I said:

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 difficulties that Mrs G has faced and the impact this cruel scam has had on her.

Lloyds are a signatory to the CRM Code, which requires firms to reimburse customers who have been the victims of APP scams like this, in all but a limited number of circumstances.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that an exception applies. In this case, Lloyds say Mrs G made the payment without having a reasonable basis for believing that: the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

Did Mrs G have a reasonable basis for believing the investment was genuine?

Having carefully considered everything that Mrs G has told us, I'm not satisfied that Lloyds can rely on the exception to reimbursement. I say this because the investment was recommended to Mrs G by someone she trusted – J. J had also invested with T and showed Mrs G a statement which showed monthly returns on her investment. I realise that J hadn't had any returns paid out as they were being added to the capital and were due to be paid on maturity, but J believed that the returns were genuine.

Also, J had worked with T, knew that he was a trader and that he'd completed enhanced trader courses. She also says that T was a partner in the firm they worked at and had previously worked for a large bank. I think this was very persuasive and suggested that T did have the experience necessary for the investment.

T also told Mrs G that the funds would be paid to a brokerage firm and would be protected. The company that T said the funds would be paid to was a genuine firm that was based in Chicago. While T didn't actually use the brokerage firm and faked the documents that he provided to Mrs G using their name, I think the link to a genuine company would've been reassuring to Mrs G.

Lloyds say the return of 17% to 20% was unrealistic and should've concerned Mrs G, but I'm satisfied that Mrs G's belief that J was receiving monthly returns would've addressed any concerns she had about the return.

Mrs G wasn't an experienced investor, and I wouldn't expect her to have concerns about investment returns that were compounding and not being paid, or to know that this can be indicative of a scam. Mrs G was very reliant on her friend's recommendation which would've held a lot of weight for her. Also, T had come to her home to discuss the investment with her. Meeting T in person, built on Mrs G's belief that he was genuine.

Lloyds also suggested that Mrs G should have sought independent financial advice, but I'm not satisfied that is a reasonable expectation based on what J knew about T.

It's worth noting that there was no negative information available about T at the time Mrs G made the payments. T has been made bankrupt, but this happened after Mrs G made her payments. Also, the broker firm was a genuine firm based in Chicago, as T told Mrs G. So even if Mrs G has done more online research, it is unlikely to have shown any information that would've suggested the investment wasn't genuine.

Taking all of the points above into consideration as a whole, I'm satisfied that Mrs G did have a reasonable basis for believing the investment was genuine.

On that basis, Mrs G is entitled to a full refund under the CRM Code.

The points Mrs G has raised

Mrs G has raised concerns that we haven't taken into account her vulnerability at the time she made the second payment. However, as I'm recommending a full refund, her vulnerability doesn't need to be considered as it won't change the outcome I've reached.

Mrs G has referred to another complaint with our service, and the outcome of her friend's complaint with their bank – both of which involve investments made with T. Our service considers each case on its individual merits and the circumstances applicable to that complainant. So, the outcome of another case or the outcome reached by a bank, won't necessarily impact the outcome reached on Mrs G's case.

Mrs G says Lloyds didn't do enough to try and recover her funds. But, I'm satisfied that Lloyds contacted the receiving bank promptly on being notified of Mrs G's scam claim. Unfortunately, no funds remained in the account.

Mrs G's dissatisfaction with the service provided by Lloyds

Mrs G is unhappy that Lloyds wouldn't provide her with written evidence of the complaint she had made or allow her to amend it. I think Lloyds could've done a better job and should've

provided Mrs G with the information she requested. However, I'm not satisfied that Lloyds' failure affected the outcome they reached on her complaint. So, I'm not satisfied that I can fairly make an award for the poor service Mrs G received.

In summary

I'm not satisfied that Lloyds can rely on an exception to reimbursement under the CRM Code, so they should refund Mrs G in full – being the remaining £12,500 of her loss. As Mrs G has been deprived of the use of those funds, Lloyds should pay simple interest of 8% on that refund, calculated from the date they gave Mrs G the outcome on her CRM claim until the date of settlement.

My provisional decision was that I intended to uphold this complaint and ask Lloyds Bank PLC to compensate Mrs G, as set out above.

Responses to my provisional decision

Mrs G responded to say she accepted my provisional decision. However, she wanted to highlight that she believes Lloyds mishandled her complaint and she should've been told the reason why Lloyds declined to refund her in full.

Lloyds didn't respond to my provisional decision.

Under the Dispute Resolution Rules (found in the Financial Conduct Authority's Handbook), DISP 3.5.13, says, if a respondent (in this case Lloyds) fails to comply with a time limit, the ombudsman may proceed with the consideration of the complaint.

As the deadline for responses to my provisional decision has expired, I'm going to proceed with issuing my 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.

As I haven't been given any new evidence or arguments to consider, I see no reason to reach a different answer than I did in my provisional decision.

I'm not satisfied that Lloyds can rely on an exception to reimbursement under the CRM Code, as I'm persuaded that Mrs G had a reasonable basis for believing the investment was genuine. I say this based on the recommendation coming from a friend who knew T, had invested themselves, and told Mrs G that they'd received the promised returns.

On that basis, Mrs G is entitled to a full refund of her outstanding loss, as well as interest as she was deprived of the use of the funds.

However, I'm not satisfied that I can fairly ask Lloyds to pay any compensation in relation to the level of service Mrs G received. I say this as, while they could've provided a better level of service, I can't see that it impacted the answer they reached on her fraud claim.

Putting things right

To put things right I require Lloyds Bank PLC to:

- Refund Mrs G the remaining £12,500 of her loss, and

- Pay simple interest of 8% on the refund, calculated from the date Lloyds provided the outcome on Mrs G's claim under the CRM code until the date of settlement.*

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

My final decision

My final decision is that I uphold this complaint and require Lloyds Bank PLC to compensate Mrs G, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 9 May 2025.

Lisa Lowe
Ombudsman