

## **The complaint**

Mr S complains that Lloyds Bank PLC did not refund the £20,000 he says he lost to a scam.

Mr S is represented in this complaint by a solicitor, but for simplicity I will refer to Mr S throughout this decision, even when referencing what his representative has said on his behalf.

## **What happened**

In July 2019 Mr S invested £20,000 in a company I'll call 'H'. H had several different building projects they were providing investments for in the form of loan notes. Documents shared by H said investors could receive returns of around 12%.

It does not appear Mr S received any returns on his investment and HS went into administration in December 2021.

Mr S felt he had been the victim of an investment scam and that HS set out to defraud him. He raised a scam claim with Lloyds, but Lloyds declined to refund Mr S' loss, it said this was a civil dispute between Mr S and H, not a scam. Mr S was unhappy with this response, and so he referred his complaint to our service.

Our Investigator looked into the complaint and reviewed it under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. Having done so, they felt it was more likely a civil dispute between Mr S and H. On balance, they did not think the evidence showed H never intended to act in line with its agreement with Mr S. And instead, they felt it was more likely this was an investment that failed, so they didn't think Lloyds needed to refund Mr S.

Mr S' representative disagreed, they maintain that H was not acting legitimately. As an informal agreement could not be reached the complaint has been passed to me for a 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.

Mr S's representatives have provided detailed submissions to our service in relation to this complaint. But I will focus in this decision on the points that I consider to be material to the outcome of Mr S's complaint, rather than responding to every single point made. I mean no disrespect by this, but I feel this is in keeping with our role as an informal dispute resolution service. Nonetheless, I want to assure Mr S that I have carefully considered everything that has been submitted here.

Firstly, it isn't in dispute that Mr S authorised the payment in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he is liable for the transaction. But he says that he has been the victim of an authorised push payment (APP) scam.

Lloyds signed up to the voluntary CRM Code, which provided additional protection to scam victims at the time this payment was made. Under the CRM Code, the starting principle was that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances). But the CRM Code only applies if the definition of an APP scam, as set out in it, is met.

I have set out the definition of an APP scam as set out in the CRM Code below:

*...a transfer of funds executed across Faster Payments...where:*

- (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.*

The Code also explains that it does not 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.*”

I've therefore considered whether the payment Mr S made to H falls under the scope of an APP scam as set out above. Having done so, I don't think that it does. I'll explain why in more detail.

In order to determine if Mr S has been the victim of a scam, I have to consider if his intended purpose for the payment was legitimate, whether the intended purposes of Mr S and the company he paid were broadly aligned and, if not, whether this was the result of dishonest deception on the part of the company.

Based on the evidence available to me, it appears Mr S was intending for his funds to be invested in loan notes. He then expected to receive returns on his investment of 12%. I'm aware that investors in H received professional and detailed paperwork about their investments. I can also see H was on Companies House and had been incorporated since 2011. So, I see no reason why Mr S would not have thought this was a legitimate investment.

I've gone on to consider whether H's intended purpose for the payment aligned with what Mr S intended as set out above. I've seen evidence that three building projects were completed by H. They had other projects ongoing, however these had to be sold to other developers after they entered into financial difficulty. On balance, I think this shows H was a legitimate company involved in legitimate building projects and I think it's unlikely a scam company would have completed three large scale building projects at significant cost in order to entice more funds from investors.

Mr S' representatives have said H paid unregulated introducers a high level of commission and that H did not disclose this to investors. They have also made allegations that H misrepresented various aspects of the investment. However, a business may act

unprofessionally but still be carrying out legitimate business. I don't think the evidence I've seen demonstrates with any clarity that H was intentionally deceiving investors about what their investments would be used for, or that it did not intend to pay out on those investments, rather than it simply exhibiting poor business practices.

It should be noted that the liquidator for H has not provided any evidence to suggest they were acting fraudulently or operating a Ponzi scheme. They are still in the process of investigating a significant number of transactions made from H to various subsidiary companies, due to the way in which the H network was set up. However, at the moment there is no indication that these transactions were made with the intention of hiding these funds and not using them towards development projects.

On balance, I think it is more likely H's intended purpose for the funds aligned with Mr S' and nothing I have seen indicates to me that H intended to defraud him. Instead, I think it's more likely this was a failed investment. So I don't think Mr S' circumstances meet the definition of an APP scam. It follows that I do not consider Lloyds can reasonably be held liable for Mr S's loss under the CRM Code.

Lloyds has said it did not intervene in the payment Mr S made, but maintains that even if it had done so it would not have been able to prevent the payment. And I agree, given that I am satisfied based on the current evidence we hold that H was likely not operating as a scam, I cannot fairly say Lloyds would have been able to identify any issues with H or prevent Mr S from making payments to it.

I acknowledge that my findings will be disappointing for Mr S, given the impact this situation has undoubtedly had on him, but I cannot fairly say – based on all the evidence I have seen – that it would be fair to hold Lloyds liable for his loss.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 13 August 2025.

Sophie Mitchell  
**Ombudsman**