

The complaint

Mr D complains that Lloyds Bank PLC did not reimburse the funds he lost to a scam.

What happened

Mr D was introduced to an investment opportunity by a close friend, who had already successfully invested and received returns. The investment was in a company I'll refer to as 'X', who had a variety of investment opportunities including property investments, an IPO and advertising pay-per-clicks. Mr D believed the varied investment types would be lower risk and therefore guarantee returns. He sent around £174,000 to X over two years between February 2021 and April 2023, and received a number of loan agreements for the investments. However, when he attempted to withdraw some of the funds, he was given excuses as to why this could not happen, and he eventually felt he had been the victim of a scam.

Mr D raised a scam complaint with Lloyds via a representative in June 2024. Eventually, Lloyds issued a final response letter in October 2024 which explained that they had been able to recover a total of £26,985.79 from the beneficiary accounts. They also said that they agreed they could have done more to protect Mr D. While they did not think the first four payments were unusual, they felt they could have done more when they stopped the fourth payment and should have asked more questions when they referred Mr D to the branch for further checks. However, they also felt Mr D had not carried out enough checks himself as he did not receive paperwork for the investments and he was asked to pay personal accounts, so they felt he should have had cause for concern. Because of this, they agreed to reimburse Mr D with half of the remaining funds, totalling £53,889.21 as well as £70 compensation for not getting the answer right the first time.

Mr D referred the complaint to our service as he felt he should receive a full reimbursement. Our Investigator looked into the complaint and saw a significant number of payments coming into Mr D's account from various external accounts that appeared to fund the majority of the investments. Mr D confirmed these were friends and family members and he was funding the investments on their behalf. The Investigator also found that the loan agreements with X were not in Mr D's name, and he confirmed they were in the name of his cousin who he referred to as X. Mr D did later provide two loan agreements in his name, but the Investigator highlighted that the amounts on the loan agreements did not match any payments going out of Mr D's accounts. Finally, they saw that the messages with the scammer that had been provided were not with Mr D, but instead were with his cousin, and only messages from October 2022 onwards were available, over a year and a half after the scam begun.

The Investigator issued a view saying they did not have enough evidence to show a scam had occurred, as there was nothing to show what Mr D thought he was investing in, and no communications between Mr D and the director of X. In addition, there were payments made to other individuals and companies with no explanation as to what Mr D thought these were for and how they were linked to the scam. Finally, the Investigator did not think it was possible to determine the actual loss Mr D suffered. This was because he had invested a significant amount of funds for family and friends, and there was evidence to show at least his cousin received returns directly into his own separate current account. So, it was not

possible to know what other returns had been received directly by other family members and friends. So, they did not recommend Lloyds reimburse Mr D further.

Mr D's representative responded and did not agree with the findings as they felt Lloyds did not effectively intervene in the payments. 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.

The first thing I have to consider, is whether a scam has occurred in the circumstances. To do this I have to review all of the evidence available to me to determine if Mr D has been dishonestly deceived into parting with his funds for what he thought was a legitimate purpose, but turned out to be fraudulent.

I've firstly considered what Mr D has told me about the investment itself and what it was for. Initially, Mr D said that the investments were for property in the middle east, as well as a marketing affiliate investment and an IPO investment. Later on, his representative clarified Mr D was purchasing advertising space that he could earn money from each time an individual clicked an advert link, and a long-term investment in a construction business.

While Mr D's representative has said they have provided us with the contracts, I have only seen the back page of a document that is signed by the director of X, and another company that appears to be related to construction, but there is no other evidence showing what this is in relation to or how it connects with Mr D. And I have seen no other agreements or contracts showing what Mr D was agreeing to or what he thought he was investing in.

I have seen a number of loan agreements between Mr D's cousin and the director of X, and two loan agreements between Mr D himself and the director of X. None of these set out what the funds are to be used for, if the loans are in relation to an investment and they do not mention X anywhere either. So, these do not help me to understand what the purpose of the funds were.

I have also reviewed the correspondence with the director of X that has been provided to me. However, these are only available from October 2022, around 18 months after the start of the scam, and they are between Mr D's cousin and the director of X. Again, they do not show me what Mr D thought the funds were for and what his understanding of the investment was, so it is difficult to agree that they have not been used as intended.

With all of this in mind, it is difficult to know what Mr D's purpose for the funds were, and whether they aligned with X's. And with this lack of evidence, it is difficult for me to agree that a scam has occurred in the circumstances.

However, as Lloyds has assessed the complaint as if a scam has occurred, I have gone on to do the same, to be fair to Mr D.

The payments are covered by the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code, which gives additional protection to victims of authorised push payment ("APP") scams. This requires banks to reimburse victims of APP scams, unless an exception to full reimbursement applies. There are two main exceptions to reimbursement that can be applied; if the consumer did not have a reasonable basis to believe the investment was genuine and if the bank did not provide an effective warning when they should have done.

Lloyds has argued that Mr D did not have a reasonable basis to believe the investment in X was genuine, and has cited a number of reasons for this. I have considered this carefully and I'm inclined to agree with them. Mr D has said he thought he was investing in X under a range of different investment types; however he sent funds to a personal account in the name of X's director, which I think he could have seen as unusual. And later on, Mr D paid accounts in the name of other individuals as well as other business accounts that appeared to be unrelated to the field he thought he was investing in. Mr D has not given an explanation for why he made payments to these payees.

Mr D has also confirmed he was coached by X to mislead Lloyds about the purpose of the payments, and I think he also could have seen this as unusual. On balance, I think it would have been reasonable for Mr D to be wary of a genuine investment firm advising him to lie to his bank about payments he was making to the investment, and I think this should have given him cause for concern.

Mr D has not been able to provide any agreements or contracts with X about the investments themselves, which I would have expected him to have considering he invested such a large amount with them. He has been able to provide loan agreements but as set out above, these did not specify the purpose of the funds. Again, I would have expected Mr D to have concerns about X and question their legitimacy as a company as a result of this.

With all of the above in mind, while I do appreciate Mr D was introduced to the investment by a friend and he even met the director of X, on balance I do not think he had a reasonable basis to believe X or the investment was genuine. So, I think it is reasonable for Lloyds to apply an exception to full reimbursement.

I've gone on to consider if Lloyds has acted reasonably, and whether they provided effective warnings where there was reason to suspect the consumer may be at risk of financial harm. Lloyds has accepted that they should have done more when Mr D made the fourth payment to the scam, so they agreed to reimburse 50% of the loss from that point onwards. They said that they did stop the fourth payment to ask Mr D some further questions about it, and he said he was purchasing a vehicle. However, they still had concerns and referred Mr D to a branch for further questions. When he went into the branch, his story changed slightly and he said he was purchasing a car for someone else, however Lloyds did not pick up on this and question him further, which is why they felt they could have done more.

I do think it is arguable that Lloyds could have intervened sooner, as the initial two payments were £5,000 and £10,000, which was a value increase in Mr D's usual account activity. However, being able to provide an effective warning would have been conditional on Mr D providing an accurate purpose for the payments, and as I have seen, he was coached not to do this. It is therefore unclear if Lloyds could reasonably have uncovered the scam sooner than the fourth payment, by which time the pattern of payments was unusual enough that it warranted them asking him to visit a branch with identification.

However, even if I were to agree Lloyds could have done more to intervene and try to uncover the scam, I would not be able to recommend an increase in the redress that has already been paid. This is because trying to quantify Mr D's loss is not possible with the information currently available. Mr D has confirmed he made a number of investments on behalf of his friends and family members, and I can see around £150,000 coming into his account from external accounts that he has identified as friends and family.

In the chat between Mr D's cousin and the director of X, the cousin confirms he received £10,000 into his account in relation to the investment. It is therefore also possible that other friends and family members received other returns, which we are not aware of. In addition to this, Mr D has provided me with loan agreements between himself and the director of X,

however the amounts mentioned in the agreements do not match up with any payments out of Mr D's Lloyds account. So again, it is difficult to quantify what Mr D's actual loss is with this limited information. As a result, even if I were to agree that Lloyds could have provided an effective warning at an earlier date, I would not be able to fully quantify the loss Mr D has incurred.

I therefore think that what Lloyds has already done so far to remedy this complaint is more than I would have recommended in the circumstances. I can also see Lloyds were able to recover a total of £26,985.79 from the beneficiary accounts. And considering the time that elapsed between the payments being made and the scam claim being raised with Lloyds, I don't think they could have done more to recover any other funds in the circumstances.

My final decision

I do not uphold Mr D's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 8 August 2025.

Rebecca Norris

Ombudsman