

The complaint

Mrs and Mr J complain that Lloyds Bank PLC ('Lloyds') declined to refund them over £10,000 which they say they lost as a result of a scam.

What happened

The circumstances of this complaint are well known to both parties, so I will not go into every detail of what happened here. But, in summary, in April 2024, Mrs and Mr J engaged with a company which I will refer to as 'B' which appeared to be a legitimate, family-run business who had been active in the local community. They wanted work to be completed on a conservatory, windows, gutters and a patio. They paid one payment of £9,255 and another of £1,412 to B on the same day in April 2024 as deposits for the works. B attended their address and began undertaking some of the work.

Mrs and Mr J said there was some initial disagreements over whether what they were working on included a full patio, or a small, paved area by the conservatory. The company said a full patio was not included and would cost a further £10,000. Mrs and Mr J told the company that they no longer wanted B to complete the work they were going to do, but they refused to refund the deposit monies that had already been paid. B told them that they had commenced the work and purchased materials, so no refund was going to be paid.

Mrs and Mr J explained that their garden was left in a complete mess with deep trenches, which filled with water due to inclement weather and collapsed significantly in places. This caused damage to their property. It also meant works had to be undertaken just to make the garden safe to avoid damage to their property and their neighbours' properties, adding additional cost and stress to the situation. When they got a new builder to complete the project, it was more complex and expensive due to the condition of the garden. They said they reported B to Trading Standards, Action Fraud and the police. They said that B had also committed a distraction burglary, taking over £300 of his daughter's birthday money.

Mrs and Mr J complained to Lloyds. They explained that they had considered whether the Contingent Reimbursement Model ('CRM') code applied in this case which they were signed up to. Lloyds said that the CRM code did not apply in this case, as it amounted to a civil dispute because B did not complete the work agreed due to a disagreement over the patio area. It did not conclude that there was enough evidence that B didn't intend to complete the work on the conservatory and guttering. So, it did not find that it owed Mrs and Mr J a refund.

Mrs and Mr J were unhappy with Lloyds' response. In summary, they said:

- B had breached the law and were likely guilty of numerous criminal offences – so there was no way this could be classed as a 'non-crime' or civil dispute.
- B had a dishonest intention from the outset.
- B appear to have been taken to court numerous times and have other victims.
- A police investigation was ongoing into their conduct.

- There were other victims they had identified online, and it was confirmed by the police that B had been deleting other negative reviews and goading victims online.
- B had changed names and directors numerous times, and the people involved with B were linked to numerous dissolved companies on Companies House. They said this indicated that they were avoiding paying debts, bills or county court judgements.
- B had breached their own terms and conditions in not providing a refund to them.
- They were clearly victims of crime, but Lloyds failed to treat them as such.

Mrs and Mr J escalated their concerns to our service. One of our investigators looked into what had happened and did not recommend that the complaint be upheld. In summary, they agreed that Lloyds had acted fairly in deeming this a private civil dispute and did not need to refund Mrs and Mr J.

Mrs and Mr J remained dissatisfied. As no agreement could be reached, the case has been passed to me to decide.

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'd like to start by saying I was so sorry to read of what Mrs and Mr J have been put through. Mrs and Mr J described the immense impact this has had on them, their finances and their family. I could tell from the evidence they provided that what has happened has had a profound impact on them and their family.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

It is important to note that I am not deciding a dispute between Mrs and Mr J and B. I do not have the power to consider any potential criminality or complaints about B. My role is limited to deciding the dispute between Lloyds and Mrs and Mr J. So, I need to decide whether Lloyds acted fairly when it concluded that this amounted to a civil dispute and not a scam, such that the CRM code did not apply in this case.

It isn't in dispute that Mrs and Mr J authorised the payments that left their account. The starting position – in line with the Payment Services Regulations 2017 – is that they are liable for the transactions. But they say that they have been the victim of an Authorised Push Payment (APP) scam and that B's intent from the outset was to deceive them.

Lloyds was a signatory to the voluntary CRM Code which was in place at the time of these payments. This was a scheme through which victims of APP fraud could sometimes receive reimbursement from the banks involved. The CRM code is quite explicit that it does not apply to all push payments. It says:

"DS2(2) This code does not apply to:

(b) 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."

Subsections (a) and (c) have been omitted as they are not relevant to this complaint.

The CRM Code does not clearly define what a 'private civil dispute' amounts to, but a civil dispute can be ordinarily defined as a disagreement about, for example, quality of goods between private individuals or companies. The code broadly describes examples of what is considered an APP scam and this includes where the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent. This can be considered a dishonest scheme, where the payee never intends the same purpose as the payer. In this case, that purpose would be the undertaking of works at Mrs and Mr J's address.

So, I can only apply the CRM Code to Mrs and Mr J's payments or consider Lloyds' liability to them under the CRM Code, if I'm satisfied that the payments were made as part of an APP scam. As opposed to a situation where B didn't fulfil the contract with Mrs and Mr J due to, for example, the business failing, a breakdown in relationship between the two parties, ill health or dissatisfaction with the quality of the work which would be considered a 'civil dispute' not covered by the CRM Code.

I've carefully considered all the reasons that Mrs and Mr J believe they were the victims of an APP scam, however, I'm not satisfied that I can safely reach that conclusion. I'll explain why.

- I accept that B didn't complete the work they were contracted to do and that there have been issues with the work they did complete. However, that isn't enough to say that B set out with the intention to defraud Mrs and Mr J from the outset.
- Whilst I can quite understand why Mrs and Mr J feel that B scammed them, there is a high legal threshold or burden of proof to determine a scam. And there are several potential reasons (other than a scam) for the breakdown in a relationship between two parties for a dispute to exist. B started the work, which suggests an intention to deliver the agreed services to some extent. It appears in this case that there was a dispute about the exact remit of the work that was to be undertaken, which caused Mrs and Mr J to lose faith in B. And ultimately, this dispute led to Mrs and Mr J telling B they did not want them to complete the work, which is what led to the works stalling.
- I have reviewed information about B's bank account, and whilst I cannot go into detail due to data protection reasons, the account does appear to be run in a way that is consistent with someone carrying out the sort of work they contracted B for. This includes specific transactions which I consider to be in line with the works Mrs and Mr J had paid them to complete – which took place shortly after Mrs and Mr J paid them, so there is a likelihood these related to undertaking their works.
- It is also significant that up until Mrs and Mr J's allegations, there were no other allegations of fraud made to the bank. If B had scammed multiple people, I would have expected some of them to have contacted their own bank, and alleged fraud, as Mrs and Mr J did. I think the fact this doesn't appear to have happened supports the argument that Lloyds has made that this does not amount to an APP scam.
- Mrs and Mr J said that there was work completed by B, even if this was estimated by professionals to be worth around £2,500 only. The work that was being undertaken came to a stop when the dispute around the patio arose. So, considering everything, it does appear that it is more likely than not that B purchased materials for the work, started to undertake the work and likely would have carried on in some capacity, but for the dispute over the patio. And so it follows, that at the time of the payments, the purposes of both parties were aligned. B intended to complete work on the project, and Mrs and Mr J were paying to have work completed on the project.
- I am unable to say what was agreed regarding the patio – this is not entirely clear in the documentation I have seen. But nevertheless, the payments clearly related to other areas of the project such as the conservatory and windows. Regardless, the matter of dispute around the patio is not enough evidence that B intended to scam them from the outset. And matters of the quality of work, or dissatisfaction with the supplier, are not covered by the CRM code.
- I appreciate the reviews they have gathered show that there are other dissatisfied customers and allegations of owed debts, changes to contacts after they are signed and lies. I also understand that there are potential criminal matters under investigation in this case. These are matters which are beyond my role to determine – and even if these matters proceed, this does not in and of itself prove an APP scam occurred here. I can see that there may be some unscrupulous trading tactics here, but this does not reach the high legal bar of a scam.
- There is also evidence online of completed projects and satisfied customers. The business appears to be relatively established and continues to trade in the areas it did at the time of this dispute.

- I also appreciate that there were promises in communications with B around refunds. But contractual adherence by B is not something I can consider.

As the CRM Code highlights where customers have paid a legitimate supplier for services but they are defective in some way or the customer is otherwise dissatisfied with the supplies - this still amounts to a private civil dispute.

I must make a decision on what I think is most likely to have happened. And, based on the evidence I've seen, I think it's more likely here B was attempting to operate as a genuine business at the time and that other factors ultimately meant the work wasn't completed. I don't think B set out from the beginning with the intent to defraud Mrs and Mr J or that I have enough evidence to say that they have been the victim of a scam here.

I don't think the individual payments were particularly out of character. I'm not going to go into detail on this because, given that I'm supportive of Lloyds' decision to conclude this is a civil dispute, there isn't any basis upon which any intervention ought reasonably to have caused concern with the payments. So, I can't fairly criticise Lloyds for not having done more in these circumstances.

I know this will be a huge disappointment to Mrs and Mr J but I don't think this situation meets the definition of an APP scam. I consider this to be a civil dispute with regard to the provisions of the CRM code. I sympathise with the position Mrs and Mr J have found themselves in, and I'm in no way saying they did anything wrong or that they do not have a legitimate grievance against B. But this type of dispute isn't something that the CRM Code covers. So, I don't think it was unfair for Lloyds to take the view that it was unable to refund them under the CRM Code.

So, for the reasons I've explained above, I don't think it would be fair to hold Lloyds responsible for the money Mrs and Mr J lost.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J and Mr J to accept or reject my decision before 17 October 2025.

Katherine Jones
Ombudsman