

Complaint

Miss H and Mr P are unhappy that Lloyds Bank PLC didn't reimburse them after they reported falling victim to a scam. Although the payments here were made from a joint account, Mr P has taken the lead in bringing the complaint and so I'll generally refer to him in the text that follows.

Background

In late 2023, Mr P wanted to hire a contractor to carry out extensive works on the front and rear gardens at his home. He gathered multiple quotes from different potential contractors. He spoke to his neighbour about a builder that had just started work on their property. His neighbour put him in touch with that builder who visited Mr P's home and quoted a price of £20,660 for the works he wanted undertaken.

That price seemed reasonable and was in line with others Mr P had received. Additionally, the builder was available to begin work sooner than the other contractors. That was a bonus for Mr P who, I understand, was keen to have the work completely quickly. The agreement was that the work would commence on 20 November 2023 and take around three weeks to complete.

Between November and December 2023, Mr P made six payments to the builder, totalling £15,800. However, Mr P was concerned about the progress of the work. He told the builder he wouldn't make any more payments until more work had been completed. In January 2024, the builder carried out part of a day's work before stating that additional funds were required to continue. No further work was completed, and the builder later removed materials from the property, including some that belonged to Mr P.

Mr P complained to Lloyds Bank but it didn't agree to refund him. It said that this was a purely private civil dispute between him and the builder. Mr P wasn't happy with that response and so he referred his complaint to this service. It was looked at by an Investigator who didn't uphold it. Mr P disagreed with the Investigator's opinion and so the complaint has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account. However, that isn't necessarily the end of the story. Lloyds was signed up to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code). Under that Code, it's expected to refund customers who fall victim to authorised push payment (APP) scams in all but a limited set of circumstances. However, the Code doesn't cover all payments. It only applies where the payment meets its definition of an APP scam. In the context of this case, Mr P needs to have *"transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent."* The Code also specifically excludes *"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.”

For me to find that these payments were covered by the CRM Code, I need to be satisfied that (a) the purposes for which Mr P made the payments and the builder who procured them were different; and (b) that difference was a result of dishonesty or deception on the part of the builder. The key thing I need to consider then is what the intentions of the builder were at the time the payments were made. I obviously cannot know for sure what his intentions were, so I have to look at the available evidence and see whether it allows me to infer what the builder's intentions likely were. That evidence needs to be sufficiently persuasive to allow me to conclude that it's more likely than not that the builder set out to defraud Mr P.

Having reviewed everything submitted by Mr P, Lloyds, and third parties, I don't think the evidence is strong enough to support such a conclusion. While the work was not completed and there are concerns about its quality, it is not in dispute that *some* work (approximately half of the agreed duration) was done.

The failure to complete the work and the poor quality of that work may amount to a breach of contract. However, a breach of contract or poor service does not, in itself, constitute fraud. For this to be considered an APP scam, there must be evidence of dishonest deception that meets the threshold for criminality. Mr P reported the matter to the police, who issued a caution to the builder regarding the removal of materials. However, the police opted to treat this as a civil dispute. It's difficult for me to make a finding here that the builder committed fraud if the public body that would be responsible for carrying out a substantive investigation has declined to do so on the grounds that it thinks this is a civil matter.

I acknowledge Mr P's concerns about the builder's conduct, including the existence of County Court Judgments (CCJs) and another online accusation of scamming. However, these factors alone do not prove fraudulent intent in this case. It is possible that the builder mismanaged the project or lacked the capability to complete it. The builder's request for further funds to pay staff is just as likely to be indicative of a chaotically or incompetently run business. It doesn't necessarily indicate fraudulent intent on the part of the builder.

I can understand why Mr P has argued otherwise. There are several factors that he's pointed to in this case that *suggest* fraudulent intent. However, there are other plausible explanations that, in my view, are equally consistent with the evidence. It's possible the builder overcommitted himself, ran into financial difficulties, and then attempted to conceal his failings by being dishonest. I know that Mr P will feel this interpretation is excessively generous to the builder. But when viewed objectively, it is just as consistent with the facts available. In light of that, I cannot fairly conclude that it is more likely than not that the builder's actions were driven by fraudulent intent.

I don't say any of this to downplay what Miss H and Mr P have been through here. They have clearly been badly let down and, as a result, are out of pocket on a significant sum of money. However, my role is to look at the actions and inactions of the bank and I don't think Lloyds was wrong to determine that these payments weren't covered by the CRM Code.

I should add that further evidence may become available that supports Mr P's claim – for example, if the police or Trading Standards decide to carry out an investigation. If the available evidence does change, Mr P should first make that evidence available to the bank to reconsider its position. If he's unhappy with its conclusions, he will be free to refer the case back to this service to be looked at independently.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H and Mr P to accept or reject my decision before 22 August 2025.

James Kimmitt
Ombudsman