

Complaint

Ms C is unhappy that Lloyds Bank PLC didn't reimburse her after she reported falling victim to a scam.

Background

In 2019, Ms C engaged a contractor, referred to in this decision as Company A, to carry out extensive renovation works at her home. Company A had been recommended to her by an architectural firm that had prepared the plans for the project. Company A was led by a man I'll refer to as Mr H.

Ms C began making payments to Company A in November 2019 and continued to do so periodically until July 2020. Over the course of the project, she transferred more than £150,000 to the company. However, the project was never successfully completed and Ms C subsequently identified serious deficiencies in the work that had been carried out. She reports that materials she had paid for were never ordered by the company. She also states that it invoiced her for remedial works that were allegedly required due to a leak, which she believes was fabricated. In addition, she was charged for the installation of a wet room with underfloor heating, but this was never installed. A ventilation system that should have been fitted was also omitted.

Ms C describes the overall standard of workmanship as extremely poor. She found the electrical installations to be dangerous, the plumbing substandard, and the kitchen appliances improperly wired. The kitchen itself had to be removed and replaced due to its poor quality, and the tiling throughout the property was also unsatisfactory. Based on her experience, Ms C concluded that Company A had acted dishonestly and that she had unfortunately engaged a rogue trader. She believes the company never had the intention or the capability to carry out the agreed works properly.

Ms C reported it to Lloyds. Lloyds didn't agree it was a scam. It thought it was a civil dispute and so she wasn't entitled to reimbursement under the Lending Standards Board's Contingent Reimbursement Model Code ("CRM Code"). She wasn't happy with that and so she referred her complaint to this service. It was looked at by an Investigator who didn't uphold it. She 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.

Under the relevant regulations, the starting position is that customers are responsible for payments they have authorised. Since Ms C authorised the payments in question, she is presumed liable for them. However, this is not the end of the matter. Banks are also expected to monitor account activity for signs of potential fraud. If a bank identifies indicators of risk, such as a payment being unusual or out of character, it should respond to that risk in a proportionate way. In addition to that, Lloyds was a signatory to the CRM Code.

Signatories were generally required to reimburse customers who fell victim to authorised push payment (APP) scams, except if one of a limited range of exceptions applied.

However, the CRM Code doesn't apply in all cases. For Ms C to benefit from its provisions, what happened here must meet the relevant parts of its definition of an APP scam. In other words, these payments must have been ones where Ms C *"transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent."*

The CRM Code is also explicit that it doesn't apply to private civil disputes. It says:

"This Code 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."

The first matter, therefore, that I must decide is whether the provisions of the Code apply at all in view of the above. To find that this was fraud, I'd expect (a) there to be a misalignment between the purpose for which Ms C made the payment and the purpose for which it was procured by Company A; and (b) that difference to have been due to dishonest deception on the part of Company A or Mr H. The key consideration here is what the intentions were of the directors of Company A. I obviously can't know what they were for sure, so I have to look at what the other available evidence shows and use that to infer what their intentions likely were.

The threshold for establishing fraud is a high one. In criminal proceedings, the standard of proof is "beyond reasonable doubt," but this service assesses cases using the civil standard of proof, which is based on the balance of probabilities. Under this standard, a finding of fraud must be more likely than not. Even so, the bar remains high. It is not enough for fraud to be a compelling or persuasive explanation, nor is it sufficient for it to be the most likely among several possible explanations. It must be more probable than the opposite conclusion i.e. that fraud did not occur.

I've considered the evidence submitted carefully and I'm not persuaded that it does meet that standard. I'll explain why.

Ms C was introduced to Company A and its director via the architects they had hired in relation to the building works they were undertaking. That firm of architects appears to have been long established and respected. I don't find it likely that it would've recommended Company A on a whim, given the risk of reputational damage if it recommended a rogue trader. I can't know for sure, but I think it's more likely that Company A had developed a professional relationship with the architect based on completing satisfactory work in the past.

I have also seen evidence relating to how Company A operated its bank account and what it did with funds received from its customers, including Ms C. That evidence can only provide part of the picture, but it is instructive here. The account activity is consistent with the company operating as a legitimate business – for example, there is clear evidence of company funds being used to pay suppliers and builders' merchants. If this were a scam, I wouldn't expect the company account to have been operated in this way.

I have considered the detailed documentation submitted by Ms C's representatives, which includes accounts from other individuals who appear to have had similarly poor experiences with Company A. While this material is concerning, I do not find it to be sufficiently persuasive evidence that Company A intended to defraud Ms C from the outset. On balance, it seems just as plausible that Company A encountered financial difficulties and responded by adopting unscrupulous practices, such as cutting corners, using lower-quality materials,

and delivering work to a substandard level. Although such conduct is unquestionably underhand and unethical, I am not satisfied that it meets the high threshold required to conclude that fraud occurred here.

I know that Ms C has reported matters to the police, but as far as I'm aware, it hasn't seen fit to undertake a substantive investigation. I agree with her representatives that it isn't necessary for a criminal conviction to have been secured or for charges to have been brought against the director of Company A for what happened here to meet the CRM Code's definition of an APP scam. However, the fact that the relevant authorities appear not to have pursued a substantive investigation into the allegations raised by Ms C (and others) suggests to me that the evidence presented does not, on its own, carry sufficient weight to support a finding of fraud.

The documentation shared by Ms C's representatives is certainly detailed, but many of its conclusions are speculative. For example, I've taken into account that Mr H's relatives (who are also involved in Company A and its associated companies) have allegedly served jail sentences overseas many years ago. It is understandable why Ms C would be suspicious on making that discovery, but it doesn't amount to strong evidence supporting her claim here.

I've also taken into account that Mr H appears to have been disqualified from serving as a company director following actions taken by the Insolvency Service. This followed Company A's liquidation. Unfortunately, that disqualification was linked to Company A's non-compliance with various tax rules and the fact that Company A had very large unpaid liabilities to HMRC at the point that it ceased trading. However, I think this is just as likely to indicate a company being chaotically mismanaged, as one setting out to defraud its customers.

Ms C's representatives have also pointed out that Mr H later set up a new company and a review posted on an online reviews aggregator had been posted alleging that he was a rogue trader. It says this points to a pattern of activity also evident in Ms C's case. I understand the point it's making, but at the time of writing this decision, there are more positive reviews posted online of Mr H's new company than negative. I'm therefore not persuaded this lends much weight to Ms C's claim.

I don't say any of this to downplay what Ms C has been through here. She has clearly been badly let down by Company A and the consequences of that for her have been severe. I have a great deal of sympathy for her and the position she's found herself in. However, as matters stand, I can't uphold her complaint.

I don't rule out the possibility that the actions of Company A were fraudulent and it's possible that further evidence may come to light which supports Ms C's case. If such evidence does become available, she should provide it to the bank at first instance and ask that it reconsider her claim. If she's unhappy with any response she receives, she can bring a new complaint to this service.

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 Ms C to accept or reject my decision before 10 December 2025.

James Kimmitt
Ombudsman

