

The complaint

Miss I complains that Lloyds Bank PLC ('Lloyds') won't reimburse the funds she lost when she says she fell victim to a scam.

What happened

Miss I says that she was introduced to someone I'll call F in this decision by a trusted friend. F traded in cryptocurrency on behalf of others and took a percentage cut from profits made. She said that initial investments couldn't be lost due to a stop loss policy she applied. Miss I initially invested £2,000 in January 2022. Miss I received updates on her investment via a messaging app.

I understand that during 2022 Miss I invested over £15,000 and received returns of over £18,000. The 2022 payments were to F's account. In early February 2023 F said the market was picking up and it was a great time to invest. Between 14 and 22 February Miss I made further payments to F's company totalling £13,916.49. She didn't receive any further returns, and in March 2023 received a message from F which said that she had made some poor decisions, and the money was lost. Miss I believes she is the victim of a scam as F was operating a Ponzi scheme.

Miss I reported what had happened to Lloyds.

Lloyds considered Miss I's complaint under the Lending Standards Board's Contingent Reimbursement Model Code ('CRM Code'). It said it had done what it could to protect her. Lloyds paid Miss I £80 compensation for the time it took to investigate her complaint.

Miss I was unhappy with Lloyds' response and brought a complaint to this service. She said Lloyds should have done more to protect her when the payments were made.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. She said that Miss I wasn't the victim of a scam as defined by the CRM Code and that any intervention by Lloyds wouldn't have made a difference.

Miss I didn't agree with the investigator's findings, so her complaint has been passed to me to decide. In summary, she said:

- The investigator's view contradicts the spirit and intent of the CRM Code. She was induced to send money in the belief it would be used for genuine trading with a guarantee against loss, and acted in good faith. Miss I said the CRM Code exists to protect victims in these circumstances.
- Lloyds said she didn't complete due diligence, but this is incorrect.
- Her funds were taken as a result of dishonest deception. F said funds were protected from loss, publicly admitted she made 'bad' decisions, and stopped communicating with investors. All of these things show dishonest deception.
- F has been arrested on suspicion of fraud and the police have confirmed there were multiple victims and a "credible suspicion of criminal activity". Miss I said the police have evidence that no legitimate trading took place.
- Others who invested with F have been reimbursed through their bank or this service.

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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence.

In broad terms, the starting position in law is that Lloyds is expected to process payments that a customer authorises it to make, in accordance with the terms and conditions of the customer's account and the Payment Services Regulations (PSR's). But there are circumstances when it might be fair and reasonable for a firm to reimburse a customer even when they have authorised a payment.

Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an authorised push payment (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 considered whether Miss I's claim falls within the scope of the CRM Code, which defines an APP scam as:

...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.*

To decide whether Miss I is the victim of an APP scam as defined in the CRM Code I have considered:

- The purpose of the payments and whether Miss I thought this purpose was legitimate.
- The purpose the recipient (F) had in mind at the time of the payments, and whether this broadly aligned with what Miss I understood to have been the purpose of the payments.
- Whether there was a significant difference in these purposes, and, if so, whether it could be said this was as a result of dishonest deception.

It is for Miss I to prove the CRM Code definition of an APP scam has been met.

Miss I thought she was investing in a cryptocurrency investment scheme. I haven't seen anything to suggest that she didn't consider this to be a legitimate purpose.

So, I've gone on to consider what purpose F had in mind and whether it was in line with what Miss I thought.

I'm sorry to disappoint Miss I but I haven't seen sufficient evidence to conclude that it's more likely than not that her funds weren't used for the intended purpose. Miss I has surmised that her funds weren't invested as expected but she hasn't provided any evidence that this is the most likely scenario. I appreciate that she has not received the returns she expected, but this can be for any number of reasons and doesn't, in itself, show that F acted fraudulently.

I also appreciate that there is a police investigation into F which is ongoing. The fact the police are investigating shows there is a suspicion of wrongdoing but nothing more at this stage. I can't reasonably conclude that a police investigation demonstrates it's more likely than not that F didn't intend to invest Miss I's funds. And although Miss I has said the police have evidence there was no legitimate trading activity, I haven't seen any such evidence. By contrast, while I am unable to share the details for data protection reasons, this service has seen evidence from the bank that received Miss I's funds which doesn't lead me to conclude they weren't used for the intended purpose.

I agree that one of the overarching objectives of the CRM Code is to increase the proportion of customers protected from the impact of APP scams through reimbursement and the reduction of such scams. But the code is clear that it only applies to APP scams and that it doesn't cover civil disputes. So, I can only consider Miss I's complaint under the CRM Code if I am satisfied that she is the victim of an APP scam as defined in it.

Miss I has referred to the due diligence she undertook. This is only relevant if I am satisfied that she is the victim of a scam, so I won't discuss it further.

If material new evidence becomes available at a later date, Miss I can ask Lloyds to reconsider her claim.

Miss I has referred to others who sent money to F being reimbursed. My role is to consider the individual circumstances of Miss I's complaint so I can't comment on other cases. In deciding Miss I's case, I have carefully considered the evidence that is available to me at the point of issuing this decision.

I've gone on to consider whether there are any other reasons why Lloyds might be responsible for Miss I's loss.

Taking into account the law, regulators' rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Lloyds should fairly and reasonably have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams.

Lloyds should have systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). And where a potential risk of financial harm is identified, to have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment.

Lloyds has no obligation to protect its customers from bad bargains or poor investment choices. But for completeness, even if Miss I was the victim of an APP scam, I'm not satisfied that intervention by Lloyds would have made a difference or led to any payments not being made. Most of the transactions Miss I made were in line with usual account activity. The payment of £9,133 in July 2022 was out of character, but Miss I told Lloyds that she was introduced to F by a trusted friend and that she had seen the returns this friend had made. And, by the time Miss I made this transaction, she had already received returns of nearly £11,000. So I don't consider Miss I wouldn't have proceeded with the transaction.

Overall, whilst I'm sorry to hear Miss I has lost money in these circumstances and of the impact of the loss, I can't fairly require Lloyds to reimburse her on the evidence available.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 25 September 2025.

Jay Hadfield

Ombudsman