

## The complaint

Mr B is unhappy Lloyds Bank PLC ('Lloyds') hasn't refunded him the money he lost after falling victim to an authorised push payment ('APP') scam.

## What happened

The details of this case are well-known to both parties and have been set out in detail by the Investigator, so I don't need to repeat them at length here. In summary, Mr B fell victim to a scam whereby he transferred money to fraudsters.

Mr B was told by someone he knew about an opportunity that could earn him additional income. He was then subsequently contacted by someone purporting to work for a company, which I'll call 'Company L'. The idea was that Company L, who purported to be an E-commerce specialist, would inform people of orders it received from buyers for goods/products wanted. People could then take that order on, and front the amount of money required to pay for the goods from a wholesaler that Company L had contact with. So, the funds would then go to wholesalers/suppliers – for the purchase of the required goods which meant the goods/products were purchased for cheaper than they would be sold to the end buyer. And people would receive the profits made between purchasing at wholesale and selling to a buyer at a higher cost. This is known as 'arbitrage'.

Mr B made several payments to Company L initially, but was then given the details of another account to pay for a company that I'll call 'Company A', which was supposedly the parent company of Company L.

Company L provided orders, that were available, on a nearly daily basis, and upon an order being paid for and the delivery of the supposed goods to the 'buyer', payment of the returns would be made. The profits that the orders could bring in ranged from 50% up to 300% (with one order offering just over 500% profit) and the purchase of goods and delivery times ranged from around a week to three weeks. Commission could also be earned if other people were brought in to purchase orders that needed completing.

The below table shows the payments Mr B made from his account at Lloyds to the accounts controlled by the scammers, alongside what the expected returns were and what orders Mr B received 'returns' on.

Payment	Date	Payee	Amount Mr B paid	Order	Returns Mr B expected / comments
1	17/04/2023	Company L	£795	1	£1,319 – received
2	15/05/2023	Company L	£1,995	2	£4,249 – not received
3	21/05/2023	Company L	£730	3	£1,108 – received
4	22/05/2023	Company L	£1,280	4	£1,984 – not received
5	02/07/2023	Company A	£349	5	£767 – received
6	24/07/2023	Company A	£475	6	£1,030 – not received
7	27/07/2023	Company A	£100	N/A	Returning an overpayment

Three of the orders were successful with Mr B receiving returns into an account he held at another banking provider. Mr B also appears to have received a small amount of commission (either £300 or £372), as he was able to get other people to purchase an order.

Mr B didn't receive the promised returns for orders two, four and six. And despite chasing for payment, he was told of various issues as to why there was a delay in him receiving his returns.

Ultimately, contact was stopped and Company L stopped communicating with Mr B.

Mr B through his representative reported the matter to Lloyds to see whether his funds could be recovered or re-imbursed.

Lloyds wanted to obtain further information from Mr B about what had happened but didn't receive a response.

Mr B subsequently referred his complaint to this service. One of our Investigator's considered the complaint. In short, they considered the information available (which included from the third parties where Company L and Company A held accounts) heavily indicated Mr B had fallen victim to a Ponzi style scam. So, the Investigator was satisfied Mr B had likely fallen victim to an APP scam and therefore the 'Contingent Reimbursement Model Code' ('CRM Code') was an applicable consideration. This was a voluntary code that was in force at the time the payments were made and to which Lloyds was a signatory. The CRM Code required firms to reimburse customers who had been the victims of APP scams in all but a limited number of circumstances.

Our Investigator considered there was an exception to reimbursement, namely that Mr B had acted without a reasonable basis for belief when making the payments. They considered the returns being promised, were too good to be true, and to such an extent that it should have given Mr B cause for concern that all wasn't as it seemed, and Mr B had taken things at face value and didn't carry out any checks to verify the legitimacy of things. And given the value of the payments the Investigator didn't consider, under the CRM Code, that Lloyds was required to provide an 'effective warning' as part of the payment process.

So, our Investigator didn't uphold the complaint and didn't consider Mr B was due reimbursement from Lloyds under the CRM Code.

Mr B didn't accept the Investigator's opinion and so 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.

I'm sorry to disappoint Mr B but I'm not upholding his complaint. I know he's been the victim of a scam. But I don't believe Lloyds are liable to reimburse him under the provisions of the CRM Code or otherwise. I'll explain why.

There's no dispute that Mr B authorised the payments that are the subject of this complaint, even though he did so as a result of being deceived by a fraudster. Broadly speaking, under the account terms and conditions and the Payment Service Regulations 2017, he would normally be liable for them. But that isn't the end of the story.

Where a customer has been the victim of a scam it may be appropriate for the bank to reimburse the customer, even though payments have been properly authorised. Of particular relevance to the question of what is fair and reasonable in this case is the CRM Code.

For the CRM Code to apply to the faster payments Mr B made, I need to be satisfied that he was the victim of an APP scam. And I'm satisfied that Mr B was indeed the victim of a scam here. The beneficiary bank (where Companies L and A held accounts) has confirmed that a number of scam reports were subsequently received, and the account activity didn't suggest Company L or A were carrying out genuine activity and it was likely a Ponzi style scam, where funds were received and then passed on to other customers. So, I consider it more likely than not that Mr B's funds weren't used for their intended purpose and he was the victim of an APP scam and the CRM Code is therefore an applicable consideration in this case.

The CRM Code required firms to reimburse customers who have been the victims of APP scams like this, in all but a limited number of circumstances

Under the CRM Code, a Sending Firm (in this case Lloyds) may choose not to reimburse a customer if it can establish that\*:

- ...The customer made payment without having a reasonable basis for believing that:
  - the payee was the person the Customer was expecting to pay;
  - the payment was for genuine goods or services; and/or
  - the person or business with whom they transacted was legitimate.
- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning.

*\*Further exceptions outlined in the CRM Code do not apply to this case.*

In this case, I'm persuaded one of the listed exceptions to reimbursement under the provisions of the CRM Code applies.

Taking into account all of the circumstances of this case, including the characteristics and complexity of the scam, I don't think Mr B had a reasonable basis for believing the payments were for genuine goods or services; and/or the person or business with whom they transacted was legitimate.

In order to determine whether this exception to reimbursement applies, I must ask if he made the payment he did whilst having a reasonable basis for belief that all was genuine. Having carefully reviewed everything I'm afraid I don't find that's the case. I'll explain why.

What Company L was offering was simply too good to be true. In short, Mr B could provide funds for an order, and that order could gain returns ranging from 50% to 300% and in a very short space of time.

I appreciate that the buying of goods at a wholesale price and then selling them on to buyers when and where there is a need can generate profit. But I think it is reasonable to suggest that the profits being promoted here were so extreme that it ought to have given Mr B pause for thought. I find it questionable that a wholesaler would sell at such a price when they potentially know that there is a seller prepared to pay three times as much. And likewise for a buyer to pay far more to a middle man or mid-supplier and not go to the wholesaler directly, especially when buying large quantities. And I'm mindful that Company L were sharing multiple orders and promising orders with considerable profits nearly every day.

I also appreciate there were some initial 'agreements' provided for the supposed orders, but the agreements don't say much or provide any real insight. For example, there is no detail about what exactly is being purchased and from whom, or how many units of a specific item is being purchased, what the wholesale price is per unit or per quantity, who the end buyer is and what they are prepared to purchase the goods for etc... It seems that Mr B didn't carry out any checks and simply took things at face value and didn't question how such returns could be realistically gained or seek any tangible details about things.

As a result, I'm satisfied Mr B should've had reasonable cause for concern that things might not be as they seem at the time he made the payments. But it doesn't appear that he made adequate enquiries into the legitimacy of things, and I think there were sufficient red flags here that reasonably ought to have led Mr B to have acted far more cautiously than he did.

So, I think one of the exceptions to reimbursement applies – that Mr B made the payments without a reasonable basis for believing that the payments were for genuine goods or services and/or the person or business with whom he transacted with was legitimate.

#### Should Lloyds have done anything else to prevent the scam?

Good industry practice requires that regulated firms such as Lloyds engage in the monitoring of customer accounts and to be on the lookout for suspicious or out of character transactions with an aim of preventing fraud and protecting customers from financial harm.

And under the CRM Code, where it identified a risk of a customer falling victim to an APP scam, it was required to provide that customer with an 'effective warning'.

We now know, with the benefit of hindsight, that Mr B was falling victim to a scam. But based on the information that was available to it at the time, I don't consider Lloyds would've had any reasonable basis for coming to that conclusion. I say this because the payments wouldn't have appeared as out of character or unusual. The payments weren't particularly large or remarkable nor was there a pattern of payments that could have indicated Mr B was at risk from financial harm – such as multiple payments in quick succession. So, I don't think the CRM Code required that Lloyds display an effective warning as part of the payment process, and I'm not persuaded it would've had any grounds for intervening to question the payments further with Mr B before allowing them to be processed.

#### Recovery of funds

Sadly, it is common for fraudsters to withdraw or move the money on as quickly as possible. Here the payments were made in 2023, so given the time between the payments being made and then being reported there wasn't any likely chance of recovery.

#### Summary

I'm sorry Mr B lost some of his money in this way, and I don't underestimate his strength of feeling and why he thinks this money should be returned. But for the reasons explained, I consider an exception to reimbursement under the CRM Code applies – namely that I don't find Mr B had a reasonable basis for believing the payments were for genuine goods or services; and/or the person or business with whom he transacted was legitimate. Nor do I find there were any other failings by Lloyds that would lead me to uphold this complaint.

**My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 9 January 2026.

Matthew Horner  
**Ombudsman**