

The complaint

Miss V's complaint concerns Lloyds Bank PLC's refusal to refund money she lost to an alleged purchase scam.

While this complaint concerns payments made from Miss V's account, they were instructed by and related to a purchase made by Miss V's partner 'Mr S', who I will refer to throughout this decision.

What happened

The background to this complaint is familiar to both parties – and has been set out in detail by our Investigator - and so I'll only refer to some key events here.

Mr S entered into a contract with a company, 'O', for it to supply a medical device to treat a medical condition. Throughout December 2023, Miss V made four online payments from her Lloyds' current account to O, totalling £13,000, which went towards the overall purchase of the medical device. The medical device was delivered in January 2024, but having used it for a few months Mr S was dissatisfied with its effectiveness and returned it to O, expecting a refund. When no refund was forthcoming, Mr S considered he'd been scammed.

Miss V asked Lloyds to reimburse her losses under the Lending Standards Board Contingent Reimbursement Model ('CRM') Code. Lloyds refused as it considered the loss stemmed from a civil dispute which was expressly excluded by the CRM Code.

Unhappy with Lloyds' response, Miss V referred her complaint to the Financial Ombudsman. Our Investigator didn't uphold the complaint as he was not persuaded the evidence supported that Miss V had been scammed, as defined by the CRM Code. Mr S disagreed on Miss V's behalf. He said that as O had not refunded him for the returned medical device, which he considered to be defective as it had not produced the results he expected, this was evidence that he'd been scammed.

The complaint has now 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.

Having done so, I have reached the same outcome as our Investigator and for largely the same reasons. I realise this will be very disappointing for Miss V and Mr S. I do not underestimate the financial and emotional impact this situation has had on them – particularly given Mr S's state of health. But for the reasons I'll set out, I'm not persuaded that Lloyds is required to reimburse Miss V under the CRM Code, or for any other reasons.

I'm aware I've summarised this complaint and the relevant submissions briefly, in much less detail than has been provided, and in my own words. No discourtesy is intended by this.

In this decision, I've focussed on what I think is the heart of the matter here. Therefore, if there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I consider is the right outcome. Our rules allow me to do this, reflecting the informal nature of the Financial Ombudsman as a free alternative to the courts.

My role is to consider the evidence presented by the parties to this complaint, and reach an impartial, fair and reasonable decision, based on what I find to be the facts of the case.

Who is responsible for Miss V's losses?

In broad terms, the starting position in law is that a bank is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. And where a customer has correctly authorised a payment, they are deemed liable for it in the first instance. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair or reasonable for the bank to reimburse the customer even though they authorised the payment.

Is Miss V entitled to reimbursement under the CRM Code

The CRM Code was in place between 28 May 2019 and 6 October 2024, and so it is a relevant consideration here.

Lloyds was a signatory of the CRM Code, which meant it was required to reimburse customers who have been the victim of authorised push payment ('APP') scams, in all but a limited number of circumstances. But the CRM Code only covers situations where the payment meets the definition of an APP Scam (DS1(2)). The relevant definition for this case would be that Miss V *"transferred funds to another person for what [she] believed were legitimate purposes, but which were in fact fraudulent"* (DS1(2)(ii)).

But I think it is important to note here, that the CRM is only intended to provide protection for consumers who have been the victim of scams. It is not intended to provide enhanced consumer protection for faulty goods or unsatisfactory service. The CRM Code expressly 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"*.

Lloyds considers Miss V's loss relates to a civil dispute and having carefully considered everything that has been presented in support of this complaint, I agree.

There is no doubt that Mr S has not received the goods or service he expected when he made the payments. It's evident that Mr S was dissatisfied with the medical device – he has explained clearly how the device did not improve his symptoms and unfortunately made them significantly worse – which led to him returning it to the manufacturer, via O. Mr S expected to receive at least a partial refund, following the return of the device, but has so far received nothing, resulting in a considerable financial loss to him and Miss V.

While I can appreciate Mr S's significant dissatisfaction with what has happened and can understand why he would want to do all he can to receive a reimbursement of his funds by any means, the evidence presented to me does not support that O's purpose in receiving Miss V's funds was in fact fraudulent. I've reached this conclusion based on the following:

- Publicly available records indicate that both O, and the company that manufactured the medical device, are genuine companies involved in the manufacture and

distribution of the type of medical device Mr S purchased. O is also registered on Companies House.

- Mr S received the medical device he paid for and was able to use it for several months – although I am aware he did not consider it effective and it did not provide the results he expected. As Mr S's purpose in making the payments was to receive the device, and as O delivered the device, it is difficult to say that O's purpose in receiving the payment was fraudulent.
- While I can understand why he may have expected a refund, I have seen no evidence that Mr S was promised one when he returned the medical device. It appears the manufacturer agreed to receive the returned device which it would try to resell, at which point Mr S would be partially reimbursed. Although to date he has received nothing.
- I have reviewed bank statements for the account controlled by O. While I can't share the information we have obtained, the account activity does show deposits and payments in line with O's stated business model, and nothing which would lead me to conclude it was operating fraudulently.
- O's bank has also confirmed that other than Mr S's complaint, it has not received any other allegations of fraud. While this is not definitive that O was operating legitimately, it also does not indicate that it was most likely operating a scam.

In summary, while I can appreciate Mr S's dissatisfaction with O, based on what has been provided I'm satisfied that Lloyds acted reasonably by determining that this was a civil dispute, rather than a scam. It follows that I think it was reasonable to conclude Miss V's claim was excluded from the scope of the CRM Code, and it was therefore under no obligation to reimburse her losses and so I won't be directing it to do so.

Should Lloyds have otherwise prevented Miss V's loss?

Outside the provisions of the CRM Code, there are circumstances where I'd expect Lloyds to intervene before processing a payment if it had reason to believe a payment instruction was unusual or suspicious. But here I don't think the payments would have looked particularly unusual or suspicious, when considered alongside Miss V's usual account activity, to prompt Lloyds to intervene. But even if it had, I consider it unlikely that any intervention by Lloyds at the time of any of Miss V's payments would have uncovered any issues of concern that would have impacted her decision to make the payments.

As set out above, O was a genuine company; there was nothing in the public domain at the time (or since) to suggest it was operating a scam; and it's evident that Mr S had carried out a significant amount of research before deciding to go ahead with the purchase. So I don't think proportionate intervention would have uncovered any cause for concern about the legitimacy of Mr S's purchase.

In summary, while I'm sorry to hear that Miss V and Mr S have lost a considerable sum of money to what he believes to be a scam, I don't find there were any failings on Lloyds' part that would lead me to uphold this complaint.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept

or reject my decision before 12 March 2026.

Lisa De Noronha
Ombudsman