

The complaint

Mr C complains that Lloyds Bank PLC won't reimburse payments he made as part of a scam.

Mr C has referred the complaint via a representative, however I will just refer to Mr C throughout for ease.

What happened

The background to this complaint is well known to both parties, so I won't repeat it in detail here. In summary, Mr C invested in holiday lodge plots – sending funds between January and February 2023 as part of the investment. For ease, I will refer to the overarching investment company as “LB”. As part of the investment, Mr C would receive returns of 8% a year for five years and then the lodges would be bought back for 110% - giving an overall return of 50% profit. Mr C received the contracted returns until April 2024 and then no further payments were received.

Mr C subsequently raised a complaint with Lloyds, requesting reimbursement of his losses on the basis that he'd been the victim of a scam. Lloyds looked into the matter but declined to compensate Mr C on the basis that it was more a civil dispute, than a scam. Unhappy with this, Mr C then referred the complaint to our Service requesting the losses he says he incurred - he says, less the credits received, that his losses are over £200,000.

Our Investigator looked into Mr C's complaint but did not uphold it. Briefly, they explained that they didn't believe Lloyds had acted incorrectly in declining Mr C's complaint on the basis that it was a private civil dispute and that there wasn't enough evidence to show his payments were covered under the Contingent Reimbursement Model (CRM) Code.

Mr C disagreed with our Investigator's outcome and requested a decision – maintaining the linked companies and the directors had acted fraudulently. As the complaint couldn't be resolved informally by our Investigator it has been passed to me to issue 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 aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focused on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

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.

In broad terms, the starting position at law is that a bank such as Lloyds is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account. Here it's not in dispute that the payments were authorised, so the starting position is that Lloyds isn't liable for the transactions. However, there are some situations where we believe that banks, taking into account relevant rules, codes and best practice standards, shouldn't have taken their customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Lloyds also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Mr C.

Has Mr C fallen victim to a scam?

Lloyds is a signatory of the CRM Code which requires firms to reimburse customers who have been the victims of authorised push payment (APP) scams in all but a limited number of circumstances.

The relevant part of the CRM Code definition of an APP scam requires that the payment was made to: "another person for what they believed were legitimate purposes but which were in fact fraudulent.". The Code also explains that it 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'.

In order to reach my decision on this complaint, I've considered the purpose for which Mr C made, and LB received, the payments. And, if there is a significant difference in these purposes, whether I can be satisfied that this difference was as a result of dishonest deception. It's clear that Mr C made the payments in order for construction and renting of holiday homes.

So, I've gone on to consider what purpose LB had in mind and whether that was in line with the purpose Mr C made the payments. Whilst doing so I've noted the following:

- LB owned sites and either had, or sought, planning permission to build and develop holiday homes on these sites. This suggests that there was a genuine intention of LB to build and/or develop the sites.
- The evidence available doesn't demonstrate that investors' funds were obtained fraudulently or solely for the personal benefit of the directors. I've been provided with no evidence to show that the funds weren't, in the main, used for business purposes.
- Many submissions have been provided, and allegations made, regarding representations made to investors prior to their investments. Whilst some misrepresentations may have been made, by both LB and the company that introduced Mr C to the investment, I don't think this speaks overall to the intention of the companies involved and whether they had simply sought to defraud their investors.

Furthermore, misrepresentations made prior to an investment wouldn't automatically mean that Mr C's payments would meet the definition of an APP scam; which is especially true for any misrepresentations made by parties other than LB.

It's clear that there are large and complex ongoing investigations by both the administrators of the companies involved - as well as the police. I understand these investigations haven't yet drawn definitive conclusions as to whether the companies, or their directors, have acted fraudulently. However I will note here, that fraudulent activity by the companies or their directors may not automatically mean that Mr C's payments would then meet the definition of an APP scam. I say this because any activity found to be fraudulent may be unrelated to the procurement of investors' funds and instead relate to other activities carried out by the companies.

I have every sympathy for Mr C as he has lost a substantial amount of money and has provided a lot of detailed information and evidence relating to his complaint. I do not doubt this was very time-consuming to collate. I want to assure him that I've considered all of the evidence and arguments from both parties. However, on balance I'm not persuaded that this was, more likely than not, an APP scam. Many businesses and investments fail and enter administration for genuine reasons - not because they were set up to defraud and scam people. I've not been supplied with sufficient evidence to suggest Mr C did lose his funds because of fraud or a scam. Ultimately, Mr C made payments towards a holiday lodge investment and the evidence presented to our Service doesn't sufficiently demonstrate that LB didn't have the intention of carrying out and completing the developments at the time of the payments. Therefore, I'm not satisfied that Mr C's claim meets the CRM Code's definition of an APP scam.

For completeness, I have also considered whether Lloyds ought to have done more at the time of the payments being made. However, even if I considered that Lloyds should have done more at the time of payments I'm not persuaded it would have made any difference. I say this because I'm not persuaded the information Mr C would likely have shared would've suggested he might be at risk of financial harm. This is based on the vast and detailed information available about LB at the time of the payments which Mr C could have informed Lloyds of – which would have alleviated any concerns Lloyds may have had. I do not think Lloyds could have brought anything additional to Mr C's attention which would have led him to question the investment. Because of this, I can't fairly say Lloyds could've prevented Mr C's loss at the time.

Overall, based on the available evidence, I'm not persuaded that Mr C has fallen victim to an APP scam. I've no doubt that this will be extremely disappointing for Mr C, given the impact this situation has had on him, but I'm unable to say that Lloyds are liable to reimburse his loss. Should any material new evidence come to light at a later date, for example from the police or the administrators, Mr C can ask Lloyds to reconsider his claim. But, as it stands, I can't fairly say Lloyds should reimburse his loss under the CRM Code.

My final decision

My final decision is I do not uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 28 January 2026.

Lawrence Keath
Ombudsman