

The complaint

Miss E complains that Lloyds Bank PLC did not reimburse the funds she lost to a scam.

What happened

Miss E's fiancé at the time heard about an investment opportunity. The proposed investment was to loan funds to P, a lighting technology company based in the UK, for a project to provide lighting for the cultivation of cannabis on a site overseas that P had leased. P did not want to accept lots of small investments, so Miss E's fiancé and a large group of their friends decided to pool their funds together to make two large investments. To facilitate these payments, they decided to open two separate limited companies for two separate investments in P. I'll refer to these limited companies as 'M' and 'EC'. Miss E's fiancé at the time was listed as the sole director for both companies and the individuals who pooled together the funds were shareholders in the companies.

Unfortunately, they were unable to open business accounts for M and EC, so the shareholders in the limited companies instead sent the majority of the funds to Miss E's current account with Lloyds, which she used to transfer the investments on behalf of M and EC. These totalled £36,500 in February 2020 for EC and £130,000 in October 2020 for M. The agreements with P were in the name of the limited companies, EC and M, and in return the limited companies would receive shares in P. There is documentation showing the shares were sent to M, but there is no confirmation the shares were transferred to EC.

It should be noted there was an earlier investment the same shareholders made to P from Miss E's account however this has not been raised as part of the claim, as they have confirmed they received the returns expected for this investment.

In February 2022, the initial investment was not returned as expected and the dividends didn't materialise. P said the main reason for this was that their bank accounts had been closed down due to suspected fraud, so they had no access to the money. But there was no progress and, in late 2022, other investors started looking into P – including one investor who visited the overseas site and found that there was no functional facility as had been claimed by P's director. Around the same time, the police also launched an investigation into P. P subsequently went into liquidation.

Miss E raised a scam claim with Lloyds, however they rejected the claim as they felt this was a civil dispute between Miss E and P. This is because they felt P was a legitimate company that appeared to have failed. As a result, Lloyds said this meant that it was not liable to refund Miss E under the Lending Standards Board's Contingent Reimbursement Model (the CRM Code). Unhappy with Lloyds' response, Miss E referred her complaint to our service.

One of our investigators looked into what had happened. They initially did not think there was enough evidence to be satisfied a scam had occurred. But they added that even if they did think a scam occurred, they were not satisfied Miss E had suffered a loss in the circumstances. This is because while Miss E said she had invested some of her own funds, these were listed under her ex-fiancé's name and not under her own. And the other funds that were transferred to the investment came from friends and family, so did not constitute her own loss.

Miss E and her representatives provided evidence they felt showed P was operating as a scam, and highlighted other cases about P that our service had upheld. The Investigator acknowledged this but explained that as both EC and M were due to receive shares from P as a result of the investment, the loss was suffered by both EC and M. Therefore, both EC and M were the owners of the debt. However, as they had both now been dissolved, there was no legal entity that could now bring a complaint to our service.

Miss E and her representatives continued to disagree with the findings and still felt there was clear evidence a scam had occurred, and that both Miss E and the other shareholders had suffered a loss which should be returned to them.

As the matter couldn't be resolved informally, it's 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.

Miss E and her representatives have provided detailed submissions to our service in relation to this complaint. In keeping with our role as an informal dispute resolution service and as our rules allow, I will focus here on the points I find to be material to the outcome of the complaint. This is not meant to be a discourtesy to Miss E and I want to assure her that I have considered everything she has submitted carefully.

In cases like this, the usual first step is to consider whether or not a scam has occurred in the circumstances. The representatives on this case have provided detailed evidence setting out why they feel a scam has occurred, and they have highlighted other cases affected by the same investment that our service has agreed are scams and upheld.

However, in this particular case there is an additional issue which relates to the method that was used to fund the investment, namely that two limited companies were created to carry out the investments. I appreciate that the representatives on this case feel the people who have suffered the loss in the end were private individuals and that the limited companies existed only as a means to process the investments in a way the scammer had requested. However, part of this service's responsibility is to identify if an error has occurred and ensure the correct individuals are put back into the same position they would have been in had the error not occurred. And when a limited company is created, a separate legal entity is created, which means the company is its own legal 'person' with rights and responsibilities that are separate from its owners or shareholders.

This is a relatively unique situation, in which two limited companies, and therefore two legal 'people' have been set up as the investors with P. The agreements were in the name of the two limited companies, so this confirms the investment was between EC and P as well as M and P. So, while the two limited companies were being used as a vehicle for a group of individuals to invest in P, as they were separate legal entities with rights and responsibilities separate to their owners and shareholders, they became the two legal 'people' who were investing in P.

The agreements set out P would issue the limited companies an amount of shares relative to the investment made into P. I have been provided with evidence that P did issue shares to one of the companies, but I haven't seen evidence of shares being issued to the other. However, I think it is more likely that there was the intention from both parties that shares and returns would be issued to P. From there, any profits would be disseminated to the shareholders of both EC and M. I therefore think it is more likely the investment was being made by both EC and M and any returns would be due to them, making them the legal owners of any debt related to the investment.

The representatives on this case have said that due to issues with various banks, no business accounts were ever opened for either EC or M. Because of this, they were unable to send the investment funds via an account connected to the limited companies. Instead, the funds were sent through a variety of different means with the majority of the funds being sent from Miss E's personal account. However, Miss E was not a named shareholder of either EC or M and her only connection to the companies was that her partner at the time was the director. She has said that her shares were combined with the director's shares, however I have been provided with no documentation evidencing this.

I have been told that Miss E did invest her own funds as well and I have reviewed her statements in detail to evidence the source of any potential investments she contributed. Having done so, these are not easy to trace due to the volume of funds going in and out of the account, but any amounts I have found that she may have contributed are credited into her account either from her partner at the time or a separate company he was the director of. In any event, I do not think this is relevant to the ultimate outcome of this complaint in which I need to determine who has suffered a loss.

I say this because if I were to agree a scam has occurred in this case, I would be asking Lloyds to reimburse the individuals who suffered a loss. In this case, the individuals who have suffered a loss are the legal entities of the limited companies, EC and M. They are the 'people' who have been created to take on the debt of the investment, and it is these limited companies that would have been used as a vehicle to send any returns to the shareholders. I therefore cannot ask Lloyds to reimburse the lost funds to Miss E as she is not technically the person who has suffered the loss in this case, that would be EC and M.

Unfortunately, neither EC nor M have bank accounts and did not physically make the payments themselves, meaning it is not possible for them to raise a complaint separately. And I am aware that both companies have now been dissolved, meaning they no longer legally exist and cannot bring a complaint to our service, even if that complaint is about an issue that occurred prior to them being dissolved.

I am very sorry to disappoint Miss E and the representatives on this case, I appreciate this has been a difficult situation. But I have to consider all sides of a complaint, and an important part of that consideration is the loss and who it lies with. In this case, as I do not think the loss ultimately lies with Miss E and cannot ask Lloyds to reimburse the funds to her.

My final decision

I do not uphold Miss E's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 5 January 2026.

Rebecca Norris

Ombudsman