

The complaint

Mrs H complains Lloyds Bank PLC won't refund the money she lost to what she believes was an investment scam.

In bringing this complaint Mrs H is supported by a professional representative, which I'll refer to as 'R'.

What happened

The background to this complaint is familiar to both parties, so I'll only refer to some key facts here.

Mrs H was introduced to an investment opportunity with a company I'll refer to as 'L', by a family member who had themselves invested. L was offering investors the opportunity to invest in luxury lodge plots, which were being built as part of the wider development of a holiday resort. L was responsible for marketing and selling the plots, while another associated company owned the land. I'll refer to these companies collectively as L.

Investors were told they would receive an annual return of 8% on their investment (paid quarterly), which would be generated from the lodge's rental income, plus 110% of the original investment paid back after five years as part of a compulsory buy-back clause.

Between June and July 2023, Mrs H made payments totalling £54,900 from her Lloyds account to L (this was part of a larger investment funded from three bank accounts, complaints relating to the other two banks are being considered separately). She received expected returns in October 2023; January 2024 and April 2024, totalling just over £10,000.

In July 2024 Mrs H received correspondence from L advising that it was having difficulties with external partners and that rental payments would be late. In September 2024 she received further correspondence advising of ongoing problems, including a dispute with the company managing the development, and that contractual payments would not be made until the issues were resolved. Mrs H later heard from other investors that the investment scheme was likely a scam.

Mrs H asked Lloyds to reimburse her losses under the Contingent Reimbursement Model (CRM) Code. Lloyds refused as it considered Mrs H's loss stemmed from a failed investment, rather than a scam, which was not covered by the CRM Code. Unhappy with Lloyds' response, and with support from R, Mrs H referred her complaint to the Financial Ombudsman.

Our Investigator didn't uphold the complaint. While she noted that it was a complex and evolving situation, she was not persuaded there was currently sufficient evidence to support a conclusion that Mrs H had lost money to a scam. As such, she considered Lloyds had acted reasonably by refusing to reimburse her under the CRM Code.

R disagreed and presented further evidence that it considered demonstrated the investment opportunity was in fact fraudulent. It summarised the evidence under the following grounds:

- Administrators had shared the view that the investment scheme had hallmarks of a sophisticated investment fraud;
- large sums of investors' money had been transferred to other companies associated with L, and L's director, and which was now unaccounted for, but which didn't appear to have been used as investors expected;
- the investment had been misrepresented as "*Fully Asset Backed*", creating the impression that investors would own land and the lodge built on it, when L knew this was not the case.

Our Investigator explained why, despite the further evidence presented by R, she was still not persuaded there was sufficient evidence to reach a conclusion that L was, more likely than not, operating a scam, such that Lloyds would be required to reimburse Mrs H's losses under the CRM Code. In summary, she said:

- The Administrator had been clear that his investigations were still ongoing and that he did not have information about all companies involved in the scheme and so could not see how all funds obtained from investors had been used. While there were hallmarks of a possible fraud, there was insufficient evidence to conclude it was more likely than not fraud. There were other explanations for the issues identified – such as poor administrative practice or bad business practice, which would not meet the bar of fraud - which were equally likely.
- While investor funds were received before land had been acquired, and after an associated company went into liquidation, this could have been for legitimate reasons. And without further evidence of what happened to investor funds it's not possible to determine that L intended to scam investors.
- Although the Administrator had made comments that sales agents had falsely claimed investors would own a unit or land (neither of which were true), there was insufficient evidence to show that L had made dishonest statements to investors, or that it did so in order to defraud investors.

R disagreed. It said it would make further enquiries to obtain relevant account information to determine that investor money wasn't used for the intended purpose. But it considered there was already sufficient available evidence to prove that L had directly misled investors with the promise of security for the investment by way of land ownership, and that this did not just come from third party introducers.

R was granted an extension to provide additional evidence to demonstrate how investor funds had been used. That deadline has now passed and to date R has not provided any further evidence for my consideration, although it recently asked for a further extension to obtain a court order to get the relevant evidence.

In the circumstances, taking into account the time both parties have been afforded to provide evidence, I don't think it is appropriate to delay the resolution of this case any further. Although as I'll explain below should further relevant evidence come to light in the future, Mrs H can ask Lloyds to reconsider her CRM claim.

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 come as a disappointment to Mrs H but based on the evidence that is currently available and for the reasons I'll set out, I don't think Lloyds is required to reimburse her losses under the CRM Code.

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 what I think is a fair and reasonable decision, based on what I find to be the facts of the case.

I would like to start by acknowledging the complexity of this case. I am aware that multiple investors have brought claims that they lost money after investing with L, and associated companies. I'm also aware there are other interested parties, including liquidators and the police, who are currently conducting various reviews and investigations; the timelines and outcomes of which are currently unknown. I'm therefore conscious that new information may become available at some point in the future, which may shed more light on the situation than is currently known.

But I can only conclude this case based on the information that is currently available to me. I do not think it would be in the interest of fairness to delay reaching an outcome in this case in the hope of receiving further evidence at some unspecified date in the future which may impact my findings.

Should materially new evidence come to light after I have reached this decision, Mrs H would be entitled to ask Lloyds to reconsider a claim under the CRM Code, and she could ultimately refer any resulting complaint to the Financial Ombudsman.

The CRM Code

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. 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.

Lloyds was a signatory to the voluntary CRM Code, which provided additional protection to scam victims while it was in place. 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 doesn't apply to all APPs which ultimately result in a loss for the customer. It only applies if the definition of an APP scam is met. Here the relevant definition is set out in DS1(2)(a)(ii) of the Code:

*“Authorised Push Payment scam, that is, a transfer of funds...where [...]
(ii) The customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.”*

The CRM Code is explicit that it doesn't 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.*" This would include a failed investment.

In reaching my decision on this complaint, I've considered Mrs H's purpose in making the payments and L's purpose in receiving them. If there is a significant difference in these purposes, I have considered whether I can be satisfied that this was because of dishonest deception.

It appears that Mrs H's purpose for making her payments was to invest in the development of a luxury holiday lodge resort. In return for her investment, Mrs H expected to receive an annual return for 5 years, followed by an additional 10% profit on her capital in year 5. From what I have seen I have no doubt that Mrs H believed this was a legitimate venture.

I accept that L failed to deliver what was expected from the investment which has led to Mrs H not receiving the returns she expected, as well as the loss of her initial capital investment. But I haven't seen sufficient persuasive evidence to show this was always what L intended; or that at the time of the payments, L planned to use Mrs H's funds in a different way to what had been agreed.

There is evidence to support that L, and its associated companies, had broadly the same purpose in receiving funds. In simple terms, the evidence shows that L:

- owned the site to be developed and had, or sought, planning permission to build and develop holiday lodges on it;
- had formed relationships with other companies, seemingly with the intention of carrying out the development, each of which had been incorporated years prior to Mrs H's investment;
- installed a number of lodges, which were being let as intended and had received positive online reviews.

Overall, while it's evident L did not achieve its full stated plans, it appears, at least on the face of it, to have started developing the land and letting holiday lodges as it had told investors. As such, there is a prima facie case to say that it was a legitimate business which ultimately failed and not a scam.

To reach an alternative conclusion, I would need to see clear compelling evidence which demonstrated that not only was L not acting as investors intended, but that its purpose in doing so was fraudulent.

I accept there are some issues which have understandably caused investors to have concerns about the legitimacy of the investment scheme and the intentions of L when receiving their funds. And while I will address these in further detail below, overall, I am not persuaded there is currently sufficient evidence to say it's more likely than not L's purpose in receiving payments was fraudulent, or that it was operating a scam.

Security of investment

R considers L misrepresented the nature of the investment, such that investors were falsely led to believe they would acquire ownership of the plot of land on which the lodges sat, and possibly ownership over the lodge itself. R has made the case that investors were therefore falsely induced into the investment believing their funds were secured against land and/or property, when L knew this was not the case.

In support of this, R has referred to brochures which state the investment was “*fully asset backed*”, as well as other correspondence which refer to “*Certificates of Ownership*”. R has also highlighted some correspondence where reference was made to investors acquiring the “*freehold*” to land - which we know was not possible – although this claim was not made by L.

Having reviewed the documentation Mrs H was provided as part of the investment, I accept it could be argued that there was a lack of clarity about what she specifically obtained as part of the investment. The marketing brochures refer to investors “*purchasing lodge plots*” and I can see Mrs H signed an agreement which confirmed she would be provided with “*a lodge plot deed and a certificate of ownership*”. What it means to own a lodge plot does not appear to have been clearly defined. But while there may be some ambiguity in the terms of the agreement, this is not enough to say that L misrepresented the terms of the investment. R has not demonstrated that the statements L made about the investment were in fact false – i.e. that Mrs H does not own a lodge plot (albeit I accept this would not be the same as having a share of the freehold, although I can’t see Mrs H was told she would). But even if L had misrepresented Mrs H’s ownership rights, R has not demonstrated that this was done with fraudulent intent.

There has been no suggestion that Mrs H intended to make use of the lodge herself, or that she expected to be able to sell it outside the terms of the compulsory buy back term of the agreement. The marketing brochure made it clear that the investment did not entitle the investor to personal use of the lodge, it also specified that the investor could not sell or exit the investment before the compulsory developer buyback, which would happen in year five. Ultimately, I’m satisfied that Mrs H’s purpose in making payments to the investment was to earn a return on her investment capital, which would be generated from the development of the holiday lodge site.

As I have set out above, the evidence presented in support of this complaint does not sufficiently demonstrate that L did not intend to develop the site as advertised, with the profits being returned to investors as agreed. As such, I cannot reasonably conclude that L made a fraudulent misrepresentation.

Use of funds

I appreciate there have been questions over how investor funds were used - especially given the development was not completed as expected – and much is still unknown. But in the absence of clear evidence, I cannot safely conclude that investor funds weren’t used as intended.

As our Investigator has addressed in some detail, while I appreciate the administrator has raised some concerns that the investment had some hallmarks of a “*possible fraud*”, he also made it clear that he did not have a complete picture of where funds had gone or how they were used. He noted the need for a much wider investigation, involving various associated companies, to gain a true understanding of how investor funds were spent. Without all the relevant information the administrator could only speculate about the possibility of fraud.

This full information about how investor funds were used is still unavailable, and as such, I am in no better position than the administrator to conclude that it is more likely than not a scam.

Ultimately, Mrs H made payments to L as part of a holiday lodge rental investment and the evidence presented to our service doesn’t sufficiently demonstrate that L didn’t have the intention of carrying out and completing the developments at the time of the payments.

Because of this, I'm not satisfied that Mrs H's claim meets the CRM Code's definition of an APP scam.

Should Lloyds have prevented Mrs H's loss?

Lastly, I've considered whether Lloyds could've done any more at the time of the payments to prevent Mrs H's loss.

I've not seen evidence to suggest that Lloyds intervened and discussed the payments with Mrs H prior to releasing them. But, even if Lloyds had discussed the payments with Mrs H prior to their release, I'm not persuaded that the information she'd have presented would've suggested that she might be at risk of financial harm. So, I can't fairly say Lloyds could've prevented Mrs H's loss at the time.

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

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 Mrs H to accept or reject my decision before 3 December 2025.

Lisa De Noronha
Ombudsman