

The complaint

Ms J is unhappy that Lloyds Bank PLC ('Lloyds') won't reimburse her after she reported being the victim of a scam.

What happened

Both parties are aware of the facts of what happened so I will provide a brief summary.

In 2021, Ms J saw an advert online for an investment opportunity with a company which I shall call 'L'. L had entered into a joint venture with another business to develop two holiday sites in Scotland and was offering opportunities for people to invest in holiday lodges for the site.

Ms J contacted the property investment advice company (which I shall call 'A') who had posted the advert. She was told by a sales person from A that for her investment, she would receive a percentage of the rental income per year for a holiday lodge and the company would buy back the lodge after five years at the cost she paid plus a further 10%. She was told that the lodge would be built by March 2022 and A confirmed in a later email that she would be the legal owner registered on the Land Register of Scotland.

Over December 2021 and January 2022, Ms J made a number of payments to L totalling £64,950. Ms J received quarterly payments up until April 2024, totalling £12,869.55. After this, the payments stopped. In July 2024, Ms J says investors were informed that one of the companies associated with the investment had gone into administration.

Ms J says during the administration process, she discovered that the site where she thought the lodge would be built had never been developed and that she didn't have legal ownership or any rights to the lodge. Ms J complained to Lloyds using a professional representative. Lloyds declined to refund her as it deemed the matter to be a private civil dispute, not a scam. Ms J and Lloyds could not agree so Ms J's representatives referred the matter to the Financial Ombudsman Service.

Our Investigator reviewed everything and concluded that Lloyds had acted fairly in declining Ms J's claim as there wasn't enough evidence to suggest that the matter was a scam. Ms J didn't agree and she requested a final decision.

The matter has now come to me to decide whether Lloyds acted fairly in declining Ms J's claim.

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.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

I recognise that Ms J has gone into a lot of detail in her submissions, but I won't be responding to every point raised and it won't be in as much detail. This is because, even though I have considered everything she has sent in, I will focus on what I consider the heart

of the matter. The rules which govern the Financial Ombudsman Service allow me to do this in order to fulfil our function of being a free and informal alternative to the courts.

At the time of the payment, Lloyds was a signatory to the Lending Standards Board's Contingent Reimbursement Model Code ('the CRM Code'). The CRM Code did provide reimbursement to some victims of Authorised Push Payment ('APP') scams, but it did not always apply.

The CRM Code specifically says it doesn't apply to "*(b) 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 assert that what happened is a civil matter, so they are declining to reimburse Ms J on this basis. However, Ms J disagrees and believes she did fall victim to a scam, so I will make a finding on if I think a scam occurred or not.

What is a scam according to the relevant rules?

The relevant section of the CRM Code defines an APP scam as:

"The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent."

So for me to find that Ms J had been the victim of a scam, rather than a civil dispute, I would need to be satisfied that:

- (a) There was a misalignment between Ms J's purpose for making the payment and the directors of L's purposes for procuring the payment; and
- (b) The difference between the two purposes was due to dishonest deception on the part of L's directors.

One of the key considerations here is thinking about what were L's directors' intentions from the start of the process – did they intend to dishonestly deceive Ms J about their purpose in procuring her payments?

I appreciate there are challenges in establishing what another person's intentions were and that I cannot know for sure. So, I must consider all the available evidence and weigh this up in order to decide on balance what I think L's directors' intentions are likely to have been.

I also want to make it clear that the threshold for me saying fraud has occurred is a high one, (though not as high as in criminal proceedings). My role is to decide if I think fraud is more likely than not to have happened. It isn't enough for fraud to be one of a number of plausible theories for what happened, it has to have been more likely than not to have occurred.

Having looked at everything submitted, I agree with the Investigator's conclusion and for the same reasons. I understand that this will be disappointing to Ms J, who wanted to invest with L to build luxury lodges and get a guaranteed income for five years but instead has lost a substantial amount of money. But I haven't seen enough evidence to say that L intended to use Ms J's money for a different purpose than was agreed. I say this because:

- L owned the sites for the lodges and either had, or sought, planning permission to build and develop holiday homes on these sites. I can also see online that some of these lodges were successfully rented out and received positive reviews. This suggests to me that there was a genuine intention of L to build and/or develop the sites.
- The Financial Ombudsman Service has looked at the accounts of the businesses involved in the development of the site and lodges. The account activity was consistent with what one would expect from a development company, such as payments to developers, construction businesses and marketing agencies.
- Ms J did receive sizeable returns over a long period, this suggests that L did intend to provide her with the guaranteed income from the lodges as had been agreed. I acknowledge that there is the possibility that this money could have been paid by L to disguise the fraud, but there isn't enough evidence to suggest this, especially when considering the points above.
- The commercial structure involved in the development of the two sites was complex and involved lots of different business entities. There appear to be lots of other plausible reasons why L may have stopped making payments to Ms J, rather than it having been because of fraud. As detailed in the Investigator's view, there appeared to be a breakdown in relationship between the two companies involved in the joint venture, culminating in a legal case and an injunction being granted for one of the companies involved to stop marketing and selling the lodges. This would inevitably impact the day to day running of the project and the investment. Similarly, I note that planning permission was declined for one of the sites, which would also inevitably severely impact the project. As there are many other equally plausible reasons why Ms J didn't continue getting the income from L, I think it makes it harder for me to say that fraud is more likely to have occurred than not.

So, for the reasons above, I don't have enough evidence to say that a scam occurred here or that L's intention was to deceive Ms J about its purpose for procuring her payment.

I understand that Ms J and her representatives believe aspects of the investment were misrepresented to her, and that this evidences L's directors' intention to deceive Ms J about their purpose for procuring the payment. I can see Ms J certainly wasn't given correct information about whether she would have proprietary ownership (amongst other queries) but I don't know if the staff member at A gave her incorrect answers deliberately, or if it was a misunderstanding, or if it was negligence. Either way, I have to consider that it was A who was answering Ms J's questions in this way, not L. So I can only draw limited inferences about L's intentions based on A's actions.

I'm conscious that there are large and complex ongoing investigations by both the administrators of the companies involved as well as the police. At the time of writing this decision, there haven't been any definitive conclusions reached in any of the investigations as to whether the companies, or their directors, have acted fraudulently. It may be that further evidence comes to light in the future which does make it more likely than not that a scam occurred.

Overall, I'm sorry for what Ms J has been through with L and I recognise that she lost a substantial amount of money in this investment. But I haven't seen enough evidence to say the matter is an APP scam and so, I think it was fair and reasonable of Lloyds to decline Ms J's reimbursement claim.

My final decision

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms J to accept or reject my decision before 20 February 2026.

Paula Lipkowska
Ombudsman