

The complaint

The estate of Ms M complains that Lloyds Bank Plc, as the receiving bank, could've prevented the loss Ms M suffered as the result of an alleged scam.

What happened

On 16 November 2020, Ms M made a payment to an account held with Lloyds, as part of an investment. The payment was for £150,000 and went to an account held in a personal name – I'll refer to the account holder as X. The agreement was that X would invest Ms M's funds and then pay her back her capital plus interest after a year.

Ms M passed away in February 2021, and her estate says the investment was a scam. They raised a complaint with the sending bank (where Ms M held her account) and with Lloyds (the receiving bank) in 2024.

Ms M's estate says:

- Lloyds failed to properly verify their customer (X) when allowing them to open an account and therefore allowed a fraudster to open an account leading to Ms M being scammed.
- Lloyds failed to prevent fraudulent activity on X's account and should've been concerned by the account conduct.
- Lloyds failed to act quickly on being notified of a scam claim by the sending bank.

Lloyds says what happened between Ms M and X is a civil matter, not a scam, as determined by the sending bank. It also said that it completed all the appropriate checks when opening X's account and that there was nothing about the account activity which caused it any concerns.

Ms M's estate wasn't happy with Lloyds' response, so they brought a complaint to our service.

An investigator looked into the complaint and didn't uphold it. They agreed that this was most likely a civil dispute rather than a scam, and were satisfied that Lloyds reasonably had no concerns in relation to X's account and could not have prevented Ms M's loss.

Ms M's estate disagreed with the investigator's opinion, saying the account activity should've concerned Lloyds, and that it is likely there was other concerning activity on the account. They also said that Lloyds would have identified the scam if it had questioned X about the payment he received from Ms M, and that there were likely failures in the opening of the account.

As no agreement could be reached this case has been passed to me for review.

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.

It's important to note that Lloyds has shared information with our service which I can't share due to data protection issues, as it relates to a third party. However, I have taken it into account in reaching an answer on this complaint.

Lloyds was a signatory of the Contingent Reimbursement Model (CRM) Code. The CRM Code sets out what is expected of the 'Sending Firm' and 'Receiving Firm' (in this case Lloyds) when payments are made or received.

In summary, the obligations for the receiving firm state that it should:

- Take reasonable steps to prevent accounts from being used to launder the proceeds of Authorised Push Payment (APP) scams.
- Have procedures to prevent, detect and respond to the receipt of funds from APP scams; and
- Where the receiving firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

But the CRM Code only applies if the circumstances meet the definition of an APP scam, it specifically states that it does not cover civil disputes. And I am satisfied that we do not currently have enough evidence to say that Ms M was the victim of a scam. So, the requirements of the CRM Code do not apply. However, I have nonetheless considered whether Lloyds did fail in any way in how it handled X's account or the payment that was made by Ms M.

Account opening process

Our service can only consider complaints about acts or omissions in relation to account opening that happened after 31 January 2019, when it came within our jurisdiction. More information about this can be found in the Financial Conduct Authority Handbook under DISP 2.7.6R(2B).

As X's account with Lloyds was opened prior to January 2019, it's not within our jurisdiction and I can't look into this element of the complaint.

The activity on X's account

I've also considered whether Lloyds should've been on notice that X was potentially carrying out fraudulent activity, or had concerns, based on the activity on X's account.

I haven't seen any evidence that Lloyds contacted X at the time they received Ms M's payment in November 2020. But, even if I think they should've contacted X, that doesn't necessarily mean would be liable for Ms M's loss.

If Lloyds had contacted X about the payment from Ms M, I'm satisfied that it's more likely than not X would've provided satisfactory evidence to explain why they'd received Ms M's funds and their entitlement to the funds. I say this as I think X could've provided the Memorandum of Understanding Ms M had signed to explain why they'd received the funds from Ms M. And given that ultimately this has been determined as most likely a civil dispute

between Ms M's estate and X, I can't see how Lloyds would have been in a position to identify a scam at that time.

When Lloyds are notified that an account has received a credit resulting from an APP scam, I'd expect it to take appropriate action in a timely manner. This includes blocking or restricting the account while it investigates and, where appropriate, returning any funds that remain. But Ms M's funds were immediately moved on from X's account – apparently to a share dealing company - so even if Lloyds had determined this was a scam claim, rather than a civil dispute, no funds could've been recovered.

I'm really sorry to disappoint Ms M's estate, but I'm unable to hold Lloyds liable for Ms M's losses or ask them to refund her estate.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask the estate of Ms M to accept or reject my decision before 11 December 2025.

Sophie Mitchell
Ombudsman