

The complaint

Mr C, the director of J (a limited company), complains on behalf of J that Lloyds Bank Plc ('Lloyds') won't reimburse the funds J lost when it fell victim to a scam.

What happened

What J says

On behalf of J, Mr C says that he received information about a rent-to-rent property investment scheme with a company I'll call R. He received the information from a well-known property website he was subscribed to, which would periodically send him information about investment opportunities.

Mr C met and spoke with the directors of R, visited properties that were already set up and in operation and visited R's website. He searched online about R but didn't find anything negative. On 13 June 2023 J made a payment of £12,500 to R. The investment related to one property that Mr C understood would be refurbished and then made available to rent. Mr C expected J to receive £1,500 per month for a five-year period. J only received two returns though and Mr C believes R intended to defraud J from the outset.

J says that R has explained that all his funds went to a property management company I'll call G. G had an agreement with R to pay £3,000 per month, £1,500 of which R was meant to send on to J. After receiving two returns, R told J that G hadn't paid it, so it was unable to pass any more funds on to J. J says it wasn't told about G before investing and has been the victim of a scam.

J complained to Lloyds in February 2025 through a professional representative. J said Lloyds failed to intervene on an unusual and out of character payment and should be reimbursed under the provisions of the Contingent Reimbursement Model Code ('CRM Code').

J has said the following in support of its belief R was operating a scam:

- J stopped receiving returns from R without any notification
- R sent J's funds to another company, G, which wasn't agreed upon, and which J also believes was a scam company
- The directors of R have since left the country with J's funds
- R was providing financial advice through its advertising – something a legitimate company wouldn't do
- There is a recorded conversation in which a temporary CEO acknowledges that the funds were allocated for forex trading and not property investments
- A review of R's bank account would reveal that R didn't use the funds for the intended purpose

What Lloyds says

Lloyds considered the claim and explained that the CRM Code didn't apply to a disagreement between two or more parties – otherwise known as a civil dispute. Lloyds concluded that because the funds were sent to a genuine investment company, it felt this was a civil dispute and wouldn't reimburse J under the CRM Code. Lloyds also concluded that the payment was in line with the usual activity of J's account, so it didn't think it needed to step in at the time of the payment.

Our investigation so far

One of our Investigators considered the complaint and didn't recommend that it be upheld. She said that J hadn't provided evidence to show that R didn't intend to act in accordance with J's agreement with R. As such, the claim couldn't be considered under the CRM Code. Our Investigator was also of the opinion that Lloyds acted reasonably in processing the payment J made to R.

J didn't agree with our Investigator's findings. In summary, J, through its professional representative, made the following points:

- The purpose of J's payment was to invest in a rent-to-rent scheme to receive a monthly income, but J hasn't seen any evidence that R ever managed any properties. Therefore, J's funds weren't used for the intended purpose.
- R's website made promises that were impossible to keep and the returns that were guaranteed were too good to be true. J says that no genuine investment would offer guaranteed returns considering the risk involved in investing. J says these promises "match the main characteristics of an investment scam" and evidences an intent to defraud J.
- The directors of R have left the country, and a new director is in place. J says that a genuine company would attempt to provide returns to investors and go into liquidation if it was unable to fulfil its obligations. R was advertising for new investors while unable to pay returns to those who had already invested. J says this strongly suggests fraudulent intent and "matches the characteristics of a Ponzi scheme".

Because J didn't agree with the outcome of our Investigator's assessment, the complaint has been passed to me to make 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.

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

Lloyds was a signatory to the CRM Code. Under this 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 only applies if the definition of an APP scam as set out in it, is met.

I have considered whether J's claim falls within the scope of the CRM Code, which defines an APP scam as:

“... a transfer of funds executed across Faster Payments...where:

- (i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent”.*

It is for J to demonstrate that it has been the victim of an APP scam.

To decide whether J is the victim of an APP scam as defined in the CRM Code I have considered:

- The purpose of the payment and whether Mr C, on behalf of J, thought this purpose was legitimate.
- The purpose the recipient (R) had in mind at the time of the payment, and whether this broadly aligned with what J understood to have been the purpose of the payment.
- Whether there was a significant difference in these purposes, and if so, whether it could be said this was as a result of dishonest deception.

J thought it was investing in a rent-to-rent property investment scheme to receive a monthly income. None of the evidence I've reviewed suggests that J didn't consider this to be a legitimate purpose.

I've considered the available evidence and R's purpose in taking J's funds. Having done this, on balance I am not satisfied that J has demonstrated it's more likely than not R had a different purpose in mind or that there was fraudulent intent.

R was a registered company incorporated in April 2022. The first Gazette notice for compulsory strike off was filed in July 2025. So at the time J invested, R was an active company. R was later dissolved on 18 November 2025. But there are genuine reasons why a company is struck off and dissolved and this in itself doesn't evidence fraudulent intent or that R was operating a scam.

J said that R was operating a scam because it offered guaranteed returns that were too good to be true, and because J wasn't aware of G's involvement. Having considered the evidence I've seen, including emails, the complaint letter and the Joint Venture Agreement ('the Agreement') between J and R dated 8 June 2023, I'm not persuaded this was the case.

In the original complaint letter, Mr C said that he was present when the directors of R had a conversation with a representative of G and was told how much experience he had in the sector. Mr C said this gave him confidence in how returns to investors would be generated and that a team of people were involved to bring in paying guests to each property. I've also seen emails between Mr C and a director of R that shows Mr C questioned one of the terms of the Agreement, mentioned below, specifically relating to the management company.

Further, the Agreement set out that R expected to receive approximately £3,000 rental income from one or more property management companies and that R would pay J 50% each month. As such, while the Agreement didn't name the management company specifically, I'm persuaded Mr C, on behalf of J, was aware of G's involvement in the investment.

The Agreement also made it clear that J would receive £90,000 *“...subject to [R] receiving the Payments from the management company. [R] is not responsible for the risk of non-*

payment from the management company/guests/landlord (Entities) but both [R] and the Director undertake to make their best efforts to recover all Payments due from the relevant Entities". I think this clause of the Agreement makes it clear that the returns were not guaranteed and that there was an element of risk involved. Even so, I'm not persuaded that a high rate of return alone shows that on balance R didn't intend to provide the investment as agreed.

J has said R didn't use the funds for the intended purpose and has said in a recorded conversation, a temporary CEO of R acknowledged that some funds were used for forex trading and not property investment. But J hasn't provided persuasive evidence that supports this. However, I have seen confidential information, that I'm unable to share for data protection reasons, which shows J's funds being used in the manner expected. Payments are sent to, and received from G, and also to third parties linked to the operation of a genuine business in the property sector. The payments are consistent with the nature of R's business and the Agreement J signed with R.

I acknowledge that J only received two returns in relation to this investment, a total of £3,000. I'm sorry that J didn't receive the rest of the expected returns and is at a loss of £9,500. But the fact J only received two returns isn't enough to bring this claim within the scope of the CRM Code. I note that shortly before the third monthly return was due to be paid, R got in touch with J to explain there was a problem out of its control and it was looking for solutions. From that point onward, R kept in regular contact with J, providing updates on what it was doing to try and resolve the matter - over several months. So I don't agree that the payments stopped with no notification – although I accept it would have been surprising and disappointing when J found out. Unfortunately, businesses can fail for different reasons including the breakdown of relationships and/or poor management. I haven't seen anything that persuades me that on balance J didn't receive the rest of the expected returns because of fraud, rather than the reasons explained above.

I can't fairly conclude that the resignation of R's directors in June 2024 and the appointment of a new director indicates fraudulent intent. I also can't make the assumption that if R was a genuine company it would have attempted to provide returns to investors and gone into liquidation if it was unable to fulfil its obligations – as J's professional representative has suggested. Directors can resign for many reasons, such as to restructure a company or for personal reasons. I can see that R updated J and explained that the directors of R were transferring ownership to a corporate restructuring company.

J has said that R took on new investors while unable to pay current investors and this has the characteristics of a Ponzi scheme. However, I'm not persuaded this was done with the intent to defraud. R was in financial difficulty and took steps to remedy its position. Based on the evidence I've seen, I'm not persuaded this demonstrates R was operating a Ponzi scheme.

Finally, while J has raised the matter with the police, I haven't seen any evidence that suggests the police are investigating the actions of R. Nor have I seen any evidence from any other organisation which concludes that R intended to use J's funds for a different purpose to the one agreed.

Having carefully considered all the evidence provided to me, I'm not persuaded there is sufficient evidence to conclude that the purpose R had in mind when it took J's payment was different to the purpose J had in mind. So, I consider Lloyds acted fairly when it didn't reimburse J under the CRM Code.

If new material evidence comes to light at a later date J can ask Lloyds to reconsider its fraud claim.

I have gone on to consider whether there is any other reason I can require Lloyds to reimburse J. Lloyds should be on the lookout for, and protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. Where potential fraud is identified, I would expect Lloyds to intervene and attempt to prevent the losses for the customer.

Having looked at the payment J made, and the account activity prior to the payment, I don't think the payment was sufficiently unusual or suspicious for Lloyds to have been concerned that J was in danger of financial harm. The payment was large, but in the six months prior there had been a couple of other significant payments made to other recipients, one of which was larger than the one disputed. And although the payment was being made to a new payee, I haven't seen any evidence that the recipient would have looked unusually suspicious to Lloyds at the time.

That said, even if Lloyds had intervened and contacted J, I don't think it would have made a difference to Mr C's decision making or that Lloyds could have reasonably prevented the loss. Having considered the information that was available at the time the payment was made, I'm not persuaded Lloyds would have had any concerns if it had questioned Mr C about the payment. R was a legitimate company, J had received documentation and signed an agreement and there was nothing in the public domain at the time to suggest Lloyds should have been concerned that J might be falling victim to a scam.

I'm sorry that J has lost a significant amount of money, but I can't fairly and reasonably hold Lloyds responsible for J's loss.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 2 January 2026.

Mike Southgate
Ombudsman