

The complaint

Mr and Mrs G complain that Lloyds Bank PLC did not reimburse the funds they say they lost to a scam.

What happened

Mr and Mrs G were in the process of renovating their house and needed someone to complete some tiling. They got in contact with an individual I will refer to as 'X' who had carried out some tiling in a previous house of theirs around 12 years prior. X agreed to come and carry out the work, but they built a rapport and he eventually took on more renovation work in their house.

X began carrying out work in around March 2023 but the relationship started to break down in around September 2023. X carried out some work to the required standard, some work that was sub-par and needed to be remedied afterwards, and he did not carry out some work he had agreed to. Mr and Mrs G say they paid for some work and materials that were not completed/bought by X, and that they were overcharged by X for some materials. They also say X told them significant lies to excuse his lack of progress and entice them into paying him for work. This included that his wife was a shareholder in the company he worked for, that he could help Mr G get work in the trade industry and that the company he worked for just secured a large contract with the council.

Mr and Mrs G requested that X repay some of the funds they paid him which they did not think had been used as intended. When he did not do so, they felt they had been victims of a scam. They raised a scam claim with Lloyds for the £40,767.16 sent to X over the course of the scam. However, Lloyds felt that as there had been a substantial amount of work carried out as well as some materials purchased, this met the definition of a civil dispute and not a scam under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code.

The complaint was referred to our service and our Investigator looked into it. After reviewing the initial evidence, they highlighted to Lloyds all of the lies X had told Mr and Mrs G, as well as the poor standard of work that had been completed on some of the renovations. Lloyds replied and set out that while X did not sound like a pleasant individual and the standard of work appeared to be poor from some of the evidence, it still showed a lot of the work had been completed. They therefore maintained this was a civil matter.

Our Investigator issued a view in which they ultimately felt it was fair for Lloyds to treat this as a civil dispute and not a scam. Mr and Mrs G disagreed with the outcome and again argued that X had misled them, had overcharged them for materials and they had to pay other tradesmen to fix substandard work X had carried out for them. So, they still felt this was a scam.

As an informal agreement could not be reached the complaint has been passed to me for 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.

Mr and Mrs G have provided detailed submissions to our service in relation to this complaint, and I want to thank them for taking the time to do so. 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 their complaint. This is not meant to be a discourtesy to Mr and Mrs G and I want to assure them I have considered everything they have submitted carefully.

It isn't in dispute that Mr and Mrs G authorised the payments in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that they are liable for the transactions. But they say that they have been the victims of an authorised push payment (APP) scam.

Lloyds has signed up to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an 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 set this definition out below:

...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.*

The CRM Code is also explicit that it doesn't apply to private civil disputes. The wording in the code is as follows:

"This Code does not 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."*

I've therefore considered whether the payments Mr and Mrs G made to X fall under the scope of an APP scam as set out above. Having done so, I don't agree that they do. I know this will come as a disappointment to Mr and Mrs G and I'll explain my reasoning in more detail.

Looking at the definition above, I am satisfied that Mr and Mrs G intended to pay X, so I do not think the first point applies in this situation.

From the evidence provided, I'm satisfied Mr and Mrs G made the payments to X with the intention that he would carry out various pieces of work on their house. I therefore think their intended purpose for the payments was legitimate.

I therefore need to consider whether the funds were instead used for fraudulent purposes, and in doing so I need to consider if X dishonestly deceived Mr and Mrs G into making the payments.

Firstly, I have considered how X came to be involved in Mr and Mrs G's renovation work. He had previously carried out work for them, and I think it is more likely they were satisfied with the previous work he carried out. I say this because I think it is unlikely they would have hired X a second time if they weren't happy with his previous standard of work. This means Mr and Mrs G sought out X rather than the other way around, and it also tells me that X previously provided the service to the required standard that Mr and Mrs G paid him for. While this alone does not indicate whether or not a scam has occurred, I do think it is a relevant factor to consider.

From the evidence I have reviewed I can see X did carry out some of the work. This appears to have included work in their bathroom which Mr and Mrs G have not raised specific concerns about. He also carried out work on the roof and laid specialist tiles, though I do appreciate Mr and Mrs G are unhappy with the quality of this work. The texts between X and Mr and Mrs G mention other pieces of work as well but not in detail. This work appears to have been carried out over a few months, which is not an insignificant amount of time. I therefore think that, on balance, X did provide some of the services Mr and Mrs G paid him to provide, though I appreciate not all of them were to the standard they expected. And this therefore aligns with the description of a civil dispute as set out in the CRM Code.

Having reviewed the messages between Mr and Mrs G and X, I can see the relationship slowly began to break down from around August 2023 onwards due to X not visiting the property when he said he would, which he provided a number of excuses for. Following this, there were issues with paint which X said he had ordered but Mr and Mrs G later found he hadn't done so yet and the price X quoted was much higher than the shop sold the paint for. Following this, Mr and Mrs G wrote to X on 23 September 2023 and asked for a return of £5,823.50 for materials or labour that they did not think had been provided.

What followed was a number of phone calls in which the relationship broke down further, this was largely due to X feeling he had carried out additional work he hadn't been paid for and Mr and Mrs G explaining they weren't willing to pay for additional work that hadn't been quoted for in an invoice in advance. Mr and Mrs G asked X to provide an invoice of the additional work, and he did so but there was a disagreement about what had been used or paid for already. Looking at this back and forth, it is difficult to determine exactly what had and had not been completed or paid for.

Mr and Mrs G went on to find some remedial work needed to be completed, so the requested refund increased to £16,031.13 in January 2024 and then to £21,735.99 when the complaint was with our service. The increasing amounts here highlights the difficulty in quantifying any possible loss even if I were to agree this complaint met the high bar of an APP scam. For example, Mr and Mrs G have listed £12,787.11 for the supply and installation of the roof and flooring which they say X was not qualified to provide – but it isn't clear what the remedial work cost and if the entire £12,787.11 was therefore lost. On balance, all of this suggests to me that this is a civil dispute between Mr and Mrs G and X.

Based on the texts and additional evidence Mr and Mrs G have provided, it does appear X has lied to them about various things, this includes excuses as to why he could not visit their property to continue work, telling them he had purchased paint already when he hadn't done so and misleading them about his wife owning part of the company he worked for, as well as numerous other things. Some of these appear to have been stalling tactics and Mr and Mrs G have also argued some lies were created to encourage them to entrust more work to X.

I've thought carefully about this aspect of the complaint as I can see it is important to Mr and Mrs G. And I can understand why they feel X misleading them indicates he set out to deceive them. While I agree this shows bad character and questionable business practices, I don't think it therefore shows X was illegitimate and set out to take their funds for fraudulent purposes, with no intention of providing the services they paid for. Considering X spent months carrying out work at their property, albeit to varying standards, before the relationship appears to have mutually broken down, I think it is more likely a civil dispute between X and Mrs and Mrs G

It should be noted that I have reviewed information provided by the receiving bank where Mr and Mrs G sent their funds to. I am unable to share the details of what I have seen due to data protection issues, but the information I have reviewed does not clearly indicate X was operating a scam, or that their funds were not used for the intended purpose.

I want to assure Mr and Mrs G that I have carefully looked into everything they have provided and considered all of their comments. I understand this will be disappointing for

them and I want to acknowledge the difficult position X has left them in when it comes to their renovation. But having looked over the case, I think it was fair and reasonable for Lloyds to treat their case as a civil dispute, and I therefore do not direct them to reimburse Mr and Mrs G in the circumstances.

My final decision

I do not uphold Mr and Mrs G's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G and Mr G to accept or reject my decision before 26 February 2026.

Rebecca Norris

Ombudsman