

## **The complaint**

Mr W complains that Lloyds Bank PLC won't reimburse him after he made payments towards an investment that he now considers to have been a scam.

Mr W is professionally represented in bringing his complaint, but for ease of reading I'll refer to all submissions as being made by Mr W directly.

## **What happened**

Mr W has explained that he was looking to purchase a home while living abroad. However he received advice from his best friend's stepdad that rather than do so immediately, he should put the money into an investment fund with a company he was director of (which I'll refer to as 'G') for a year instead. Mr W was told the investment fund was insurance backed with no risk whatsoever and would provide returns of around 18-19%. He was told G was an electrical installation company that had a sizeable contract with a hotel chain to be its exclusive supplier of air conditioning units. As Mr W knew the director, he decided to take his advice and in March 2024 he made three payments totalling £50,400 to G.

Mr W later saw posts online referring to G being a scam and was told by the director that the company had failed, but hasn't been able to get in touch with the director since.

Believing he'd fallen victim to a scam, Mr W contacted his banking provider, Lloyds, to make a claim. Lloyds considered Mr W's claim but declined to reimburse him. It said that G was a legitimate company and this was therefore a civil matter between Mr W and G.

Mr W remained unhappy and referred his complaint to our service. An Investigator considered the complaint and upheld it. She thought the available evidence supported that G was a scam, rather than a failed investment and that Mr W's claim was therefore covered under the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. She didn't think any valid exceptions to reimbursement under the Code applied and that Mr W was therefore entitled to a full refund.

Mr W agreed with the Investigator's view, but Lloyds didn't. The complaint has therefore been referred 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.

It's important to highlight that with cases like this, in deciding whether there was in fact a scam, I need to weigh up the available evidence and make my decision about what I think is likely to have happened on the balance of probabilities – in other words what I think is more likely than not to have happened in the circumstances.

When considering what is fair and reasonable, I'm also 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 relevant time.

In broad terms, the starting position in law is that a firm 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 and reasonable for the bank to reimburse the customer even though they authorised the payment.

Lloyds was a signatory of the Lending Standards Board's Contingent Reimbursement Model (the CRM Code) which took effect on 28 May 2019 until it was retired on 7 October 2024. The Code required firms to reimburse customers who had been the victims of certain types of scams, in all but a limited number of circumstances. But customers are only covered by the CRM Code where they have been the victim of an authorised push payment (APP) scam – as defined within the CRM Code.

DS2(2)(b) of the CRM Code says 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”*

So, it doesn't cover a genuine investment or a genuine business that subsequently failed.

I've therefore thought about whether the purpose for Mr W having made these payments was a legitimate one, whether his intentions broadly aligned with G's, and if not, whether this was due to dishonest deception on the part of G.

Mr W has told us that he intended on investing in G for a 12 month term and this is supported by chat transcripts with G's director, as well as the agreement between G and Mr W that he's provided.

I've therefore thought about what G's intentions were when receiving Mr W's funds. Having done so I agree with the outcome reached by our Investigator that G did not use investor funds in the manner it set out to investors and that this was due to dishonest deception. As these have already been set out in detail, I don't intend to repeat them all here, but to highlight some of the key findings:

- While a genuine contract with a hotel chain did exist, the value of the contract between 2021 and 2024 was £4.4m. However, when G went into administration, it owed £25.3m to investors. The levels of revenue quoted by G haven't been seen on the receiving accounts.
- Administrators have confirmed that *“We cannot confirm with certainty how much of that (investor) money was used to purchase units or for the ordinary course of business, but it is significantly lower than the amount raised by the investors.”* This raises concerns about why G continued to accrue such high levels of investment for work that wasn't being completed on this scale.
- G claimed to have a credit insurance policy which provided protection to investors. However, the insurer has confirmed that no such policy exists and that the reference number quoted doesn't match its formatting.
- Administrators have confirmed spending by G on the following:

- Around \$6m spent sponsoring a motor racing team;
  - £500,000 used by one of G's directors for home improvements that has not been paid back;
  - Around £4m to international accounts that G claims was made towards an investment that turned out to be a scam;
  - A further £2m sent internationally for an investment that G also claims has committed fraud against G.
- We've also seen evidence of G advising investors of a new contract worth £3.6m with the hotel chain in question, but administrators have found no evidence of the suggested contract.

Lloyds has argued that a difference between contract income and investor funds does not prove dishonest intent at the time of payment, and that genuine businesses can often plan for future growth that doesn't materialise as expected. However, here the contract value over an extended period was so notably lower than investment payments received, it calls into question why G continued to accept investment payments. Additionally, Mr W's contract with G suggests that G would be able to produce returns in 90-day cycles, with a loan term of one year, meaning a short turnaround of actioning investor funds. However, it seems apparent that if G had such a high level of accruing investment in comparison to invoicing this was never going to be achieved, and yet it continued to receive further investments.

Lloyds has stated that it's seen no evidence to confirm that the insurance referenced by G did not exist, but in any event genuine mistakes can be made and the policy may have lapsed or been misunderstood. However, G provided the insurance schedule to investors confirming the policy number and policy period, which the insurer has confirmed to Police did not exist – so I disagree that there is a likelihood of this being an error, rather than intentional deception by G.

Lloyds also argued that business spending that appears unusual is not, by itself proof of a scam - and if G was running a Ponzi scheme, charges would be brought against the directors. While I agree with business spending not being proof on its own, I've set out a number of other reasons here for why G's overall behaviour is more indicative of a scam than a failed business, spending being just one of them. As mentioned, the payments investors were making were for short term loan investments and so it seems difficult to explain how the vast majority of funds being used in other ways could ever have been in line with what G was offering.

Additionally, while charges may or may not be brought against directors in future, I am conscious that any criminal proceedings that may ultimately take place have a higher standard of proof (beyond reasonable doubt) than I am required to apply (the balance of probabilities).

The Lending Standards Board has said that the CRM Code does not require proof beyond reasonable doubt that a scam has taken place before a reimbursement decision can be reached. Nor does it require a firm to prove the intent of the third party before a decision can be reached.

I've reminded myself that Parliament has given ombudsmen the job of determining complaints quickly and with minimum formality. In view of this, I think that it would not be appropriate to wait to decide Mr W's complaint unless there is a reasonable basis to suggest that the outcome of any external investigation may have a material impact on my decision over and above the evidence that is already available, which I don't consider is the case here.

Therefore, considering all evidence holistically, I am satisfied that it is more likely G was not acting legitimately, since its intentions did not align with Mr W's intentions, and I am satisfied that G was dishonest in this regard. It follows that I'm satisfied Mr W was the victim of a scam.

*Is Mr W entitled to a refund under the CRM code?*

As referenced above, Lloyds was a signatory of the CRM Code when these payments were made, which required firms to reimburse customers who had been the victims of APP scams like this, in all but a limited number of circumstances and it is for Lloyds to establish that a customer failed to meet one of the listed exceptions set out in the CRM Code.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that\*:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning
- The customer made payments without having a reasonable basis for believing that: the payee was the person the Customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate

*\*Further exceptions outlined in the CRM Code do not apply to this case.*

*Did Lloyds meet its obligations under the CRM Code and did Mr W ignore an effective warning?*

Lloyds hasn't provided evidence of any on-screen warnings it provided Mr W although it has referenced a call it had with Mr W when the first payment was made. Lloyds hasn't provided this call, it's only summarised that Mr W made Lloyds aware he was investing in a firm that he knew the director of.

As Lloyds hasn't evidenced an effective warning was provided and Mr W was honest in his reasoning for making the payments, I see no reason for this exception to be applicable to Mr W's claim.

*Did Mr W have a reasonable basis for belief?*

Within its file to our service, Lloyds appears to accept that Mr W did have a basis for believing the payments he made were legitimate and hasn't disputed this finding by the Investigator in her view, but for completeness, I also agree Mr W had a reasonable basis for believing he was investing in a legitimate business.

Mr W had known the director of G's family member for some time and had a close relationship, which would have no doubt reassured him that any opportunity suggested by the family was a legitimate one. G's director provided Mr W with documentation to support the investment opportunity on offer and the firm had been incorporated on Companies House for several years prior to Mr W's investment. Mr W was told by the director personally that the business had grown to a £50m business which had never been late in paying investors back. I can appreciate why Mr W would take the director's word on this given the link between Mr W and the director's family member.

Overall, for the reasons I've explained above, I think it is fair for our service to consider Mr W's complaint based on the evidence currently available and having done so, I think it is fair and reasonable for Lloyds to fully reimburse him under the CRM Code.

### **My final decision**

My final decision is that I uphold Mr W's complaint against Lloyds Bank PLC and I direct it to:

- Refund Mr W in full the payments he made towards the scam (£50,400).
- Apply 8% simple interest, from the date it declined Mr W's claim under the CRM Code, until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 9 March 2026.

Kirsty Upton  
**Ombudsman**