

The complaint

Mr S is unhappy that Lloyds Bank PLC, has decided not to refund him, after he invested in what he now thinks is a scam.

What happened

I'm satisfied the circumstances of this complaint are well-known to both parties, as such I have summarised them briefly below.

In late 2022, Mr S was introduced to an investment opportunity through a company I'll refer to as A. The investment itself would be with a company I'll refer to as X, though there a host of other involved separate entities.

X was offering investors the opportunity to invest in luxury lodge plots, which were being built as part of the wider development of a holiday resort. Investors were told they would receive an annual return of 8% on their investment (paid quarterly), plus 110% of the original investment paid back after five years as part of a compulsory buy-back clause.

Mr S agreed to invest a total sum of £54,950 in an eco-cabin. He did so by making a single payment of £1,000 from his account with Lloyds with the remainder made from his account with another bank. The payments were made to an account belonging to X. And payments made from Mr S's account with another bank is the subject of a separate complaint at this service.

Between February 2023 and April 2024, Mr S received returns on his investment as agreed. But once the returns stopped, he suspected he may have been the victim of a scam.

Mr S through his professional representative raised a claim with his bank in February 2025. It asked that Lloyds reimburse Mr S's losses under the Contingent Reimbursement Model (CRM) Code to which it was a signatory at the time of the payments.

In its response, it explained that Mr S's claim wasn't covered and that's because it doesn't apply to civil disputes. It said, the company was genuine at the time the payment was made and subsequently failed. It also said that it was aware of an ongoing police investigation, and if the police did uncover evidence of fraud, they would review their position further, but as it stood they were unable to offer a refund.

Our investigator didn't uphold the complaint. In making her findings, she concluded that she was unable to exclude the possibility that the investment scheme unravelled because of other reasons than fraud from the outset, such as poor business practice, or disagreements among involved parties in the scheme.

Mr S's representative disagreed presenting submissions that it considered demonstrated the investment opportunity was in fact fraudulent and therefore Lloyds was required to reimburse Mr S's losses under the CRM Code.

As agreement couldn't be reached, the complaint has now been passed to me to decide.

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.

I'm aware I've summarised this complaint and the relevant submissions briefly, in much less detail than has been provided, and in my own words. No discourtesy is intended by this. In this decision, I've focussed on what I think is the heart of the matter here. Therefore, if there's something I've not mentioned, it isn't because I've ignored it - I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I consider is the right outcome. Our rules allow me to do this, reflecting the informal nature of the Financial Ombudsman as a free alternative to the courts.

My role is to consider the evidence presented by the parties to this complaint and reach what I think is a fair and reasonable decision, based on what I find to be the facts of the case.

I acknowledge the complexity of this case. I am aware that multiple investors have brought claims that they lost money after investing with X, and its associated companies. I'm also aware there are other interested parties, including liquidators and the police, who are currently conducting various reviews and investigations; the timelines and outcomes of which are currently unknown. I'm therefore conscious that new information may become available at some point in the future, which may shed more light on the situation than is currently known.

But I can only conclude this case based on the information that is currently available to me. I do not think it would be in the interest of fairness to delay reaching an outcome in this case. Should materially new evidence come to light after I have reached this decision, Mr S would be entitled to ask Lloyds to reconsider a claim under the CRM Code, and he could ultimately refer any resulting complaint to the Financial Ombudsman.

It isn't in dispute that Mr S authorised the payment in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he's liable for the transactions. But he says that he has been the victim of an authorised push payment (APP) scam.

Lloyds was 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 payment Mr S made to X falls under the scope of an APP scam as set out above, and whether Lloyds was wrong in reaching the conclusion that this was a private civil dispute. Having done so, I don't think the evidence shows Lloyds was wrong to reach that outcome. I'll explain why in more detail.

In order to determine if Mr S has been the victim of a scam, I have to consider if his intended purpose for the payment was legitimate, whether the intended purposes he and the company he paid were broadly aligned and, if not, whether this was the result of dishonest deception on the part of the company – X. From reviewing the submissions here, I'm persuaded Mr S understood he was investing in the development of a holiday lodge park – which involved the development of the holiday site and, that in return for his investment he expected to receive quarterly returns. As such, I have no doubt that Mr S believed this to be a legitimate venture.

I've then thought about what purposes X had in mind for the payment it obtained from Mr S and whether these purposes were in line with the purpose Mr S had believed, or instead, if they were in fact fraudulent. In considering the purposes X and its linked companies had in mind, I've considered the following key information;

- X and linked companies owned sites and either had, or sought, planning permission to build and develop holiday homes on these sites.
- The evidence available doesn't demonstrate that investors' funds were obtained fraudulently or solely for the personal benefit of the directors. I've been provided with no evidence to show that the funds weren't, in the main, used for business purposes.
- X had formed relationships with other companies, seemingly with the intention of carrying out the development, each of which had been incorporated in the years prior to Mr S's investment.
- A number of lodges had been installed, which were being let as intended and had received positive online reviews.

I'm mindful that from the submissions and allegations made regarding representations made to investors prior to their investments may have been from agents selling the investment scheme on offer by X. But I don't think this speaks to the overall intention of X and the other companies involved (including whether they sought to defraud their investors). Furthermore, misrepresentations made prior to an investment wouldn't automatically mean that Mr S's payments would meet the definition of an APP scam, only in so far as these misrepresentations directly related to the purposes of the payments Mr S made.

It's clear that there are large and complex ongoing investigations by both the administrators of the companies involved as well as the Police. But in and of itself, an investigation doesn't automatically mean that fraud has occurred. And such investigations will likely go toward investigating what the intent was at the time; the result of which may or may not lead to a prosecution. That said, I'm also aware that these investigations haven't yet drawn definitive conclusions as to whether the companies, or their directors, have acted fraudulently. For completeness, I should state that fraudulent activity by the companies or their directors may not automatically mean that Mr S's payments would then meet the definition of an APP scam, given any given activity found to be fraudulent may be unrelated to the purposes for which investors' funds were obtained and instead relate to other activities carried out by the companies.

To find that X was operating a criminal scam, I'd need to find that there is convincing

evidence to show that fraud and criminality is the most likely explanation not one of a range of possibilities. Whilst I have every sympathy for Mr S as he has lost a substantial amount of money, I have to keep in mind that many businesses and investments fail and enter administration for genuine reasons, and not because they were set up to defraud and scam people. Overall, I'm not persuaded that an APP scam is a more likely explanation.

In this case, Mr S made a payment toward a holiday lodge scheme that was purporting to develop the site and rent a lodge for which he would and did receive quarterly returns. The evidence I've seen doesn't sufficiently demonstrate that X didn't have the intention of carrying out and completing the developments and rentals at the time of the payment. It follows, that I don't find Mr S has fallen victim to an APP scam.

Lastly, I've considered whether Lloyds could've done any more at the time of the payments in order to prevent Mr S's loss. I've not seen evidence to suggest that Lloyds intervened when the payment was made. And I'm not persuaded Lloyds ought to have found the payment suspicious, such that it ought to have made enquiries of Mr S before processing it.

Overall, I'm not persuaded that Mr S has fallen victim to an APP scam, based on the evidence available. Therefore, I can't fairly say that Lloyds are liable to reimburse his losses under the CRM Code.

My final decision

My final decision is that I do not uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 8 January 2026.

Mark O'Connor
Ombudsman