

Complaint

Mr and Mrs L are unhappy that Lloyds Bank PLC didn't reimburse them after they reported falling victim to a scam.

Background

In 2021, Mr and Mrs L became aware of an opportunity to invest in a company, which I will refer to as L. This investment was promoted to them by an independent financial advisor. L had entered into a joint venture with another business to develop a site and provide luxury holiday lodges. They were told that their investment would be linked to specific lodge plots on the site, would generate a return of 8% per year and, after five years, their stake would be repurchased at 110% of its original value. According to their recollections, they were also told that their investment would give them proprietary rights in an individual lodge and the land it was on. They were also told that, if they ever wanted to stay at the site, they would be eligible for an investors' discount.

They invested a little under £55,000 in October 2021. Initially, they received returns on their investment as expected. However, these payments stopped in April 2024, and around that time, the companies involved in the project went into administration. Believing they had fallen victim to a scam, Mr and Mrs L notified Lloyds and asked it to refund their losses under the terms of the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code). That Code generally required firms to reimburse customers who had fallen victim to scams, subject to a small number of exceptions.

Lloyds declined and said:

"We haven't reviewed your payments under [the CRM Code], as it doesn't apply to civil disputes. This is where there is a disagreement between two or more parties. This is a civil dispute because the company was genuine at the time the payment was made. The company then failed in their venture; therefore, this would be a civil dispute between you and the company."

[...]

"I'm aware there is an ongoing police investigation. If the police do uncover evidence of fraud, then the bank would review our position further but as it stands, we're unable to offer you a refund."

Mr and Mrs L weren't happy with that response and so they referred their complaint to this service. It was looked at by an Investigator who didn't uphold it. Their professional representatives disagreed with that outcome and provided further evidence, which they said demonstrated that the investment was fraudulent. They explained that administrators of the company believed the scheme displayed hallmarks of a sophisticated investment fraud. They also highlighted that large sums of investors' money had been transferred to companies linked to L and its director, and these funds were now unaccounted for. Furthermore, they argued that the investment was misrepresented as "Fully Asset Backed," suggesting investors would own land and a lodge, when L knew this was not true.

Despite these points, the Investigator maintained that there was insufficient evidence to conclude that L was operating a scam. He explained that the administrator's investigation was still ongoing, and it was not yet clear how all investor funds had been used. While fraud

hadn't been ruled out, there were other explanations for what had happened here, including maladministration and generally poor commercial practice. Without more evidence, it was not possible to conclude that L intended to scam investors. Finally, although there was some indication that sales agents made misleading claims about land ownership, the Investigator found there was insufficient evidence that L itself acted dishonestly or intended to defraud investors.

Mr and Mrs L's representatives disagreed. They said they would seek further information to support this case, but believed there was already enough evidence to show that L misled investors about land ownership, and that this was not limited to third-party introducers.

As no agreement could be reached between the parties, the case has now been passed to me to consider and reach a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Under the relevant regulations, the starting position is that customers are responsible for payments they have authorised. Since Mr and Mrs L authorised the payments in question, they are presumed liable for them. However, this is not the end of the matter. Banks are also expected to monitor account activity for signs of potential fraud. If a bank identifies indicators of risk, such as a payment being unusual or out of character, it should respond to that risk in a proportionate way.

In addition to that, Lloyds was a signatory to the Lending Standards Board's Contingent Reimbursement Model Code (CRM Code). Signatories to the CRM Code were generally required to reimburse customers who fell victim to authorised push payment (APP) scams, except where a limited range of exceptions applied.

However, the expectations I've described above aren't engaged unless I'm persuaded that Mr and Mrs L did fall victim to an APP scam. The CRM Code doesn't apply in all cases. For them to benefit from its provisions, what happened here has to meet the relevant parts of its definition of an APP scam. In other words, these payments must have been ones where Mr and Mrs L *"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. It says:

"This Code does not 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."

The first matter, therefore, that I have to decide is whether the provisions of the Code apply at all in view of the above. To find that this was fraud, I'd expect (a) there to be a misalignment between the purpose for which Mr and Mrs L made the payment and the purpose for which it was procured by L; and (b) that difference to have been due to dishonest deception on the part of L. The key consideration here is what the intentions were of the directors of L. I obviously can't know what they were for sure, so I have to look at what the other available evidence shows and use that to infer what their intentions likely were.

The threshold for establishing fraud is a high one. In criminal proceedings, the standard of proof is *"beyond reasonable doubt,"* but this service assesses cases using the civil standard of proof, which is based on the balance of probabilities. Under this standard, a finding of fraud must be more likely than not. Even so, the bar remains high. It is not enough for fraud to be a compelling or persuasive explanation, nor is it sufficient for it to be the most likely among several possible explanations. It must be more probable than the opposite conclusion — i.e., that fraud did not occur.

I've considered the evidence submitted carefully and I'm not persuaded that it does meet that threshold. I'll explain why.

It appears Mr and Mrs L made the payments to invest in the development of a luxury holiday lodge resort. In return, they expected annual returns for five years and an additional 10% profit on their capital in year five. It's clear that L failed to deliver what it promised. As a result, Mr and Mrs L have lost their initial investment and not received the expected returns. However, I've not seen sufficiently persuasive evidence that this was L's intention or that it planned to use their funds in a manner that differed from what they'd agreed.

The evidence suggests L and its associated companies broadly shared the same purpose in receiving funds. In simple terms, L:

- Identified the site to be developed and had, or sought, planning permission to build holiday lodges.
- Formed relationships with other companies, apparently to carry out the development, each incorporated years before Mr and Mrs L's investment.
- Installed lodges that were being let as intended and had received positive reviews.

Overall, while L's project wasn't successful, it appears to have started developing the land and letting lodges as promised. On the face of it, this points to a legitimate business that ultimately failed, rather than a scam. To conclude otherwise, I would need clear and compelling evidence showing not only that L acted contrary to investor expectations, but that its purpose was fraudulent.

Mr and Mrs L's representatives argue that L misrepresented the investment, leading investors to believe they would own the land on which the lodges were built, and possibly the lodges themselves. They say investors were induced to invest under the false impression their funds were secured against property, when L knew this wasn't true. I've reviewed the evidence submitted on their behalf and there is evidence that investors were given misleading information. Some statements were inaccurate or misleading and could reasonably have been understood as suggesting investors would have proprietary rights in the land or lodges.

However, these statements weren't made specifically by L to Mr and Mrs L, rather they were made by other connected parties, in particular the advisor who had promoted the investment to them. I accept selling agents may have made those statements dishonestly to mis-sell the investment, but they could also have resulted from misunderstanding or negligence.

In any case, despite the clumsy and misleading wording, the marketing material I've reviewed generally makes it clear that investors had no occupancy rights and could not terminate the agreement before the fifth-year buy-back. While I understand that Mr and Mrs L discussed the possibility of staying at the site, I'm not persuaded they had any intention of trying to sell the property outside of the terms of the agreement. Overall, I'm satisfied that Mr and Mrs L's purpose in making these payments was to invest in the lodge plots with the expectation of earning a return on their capital from the site's development.

I appreciate there have been questions about how investor funds were used (especially given the development was not completed as expected) and much is still unknown. But in the absence of clear evidence, I cannot safely conclude that investor funds weren't used as intended. While I appreciate the administrator has raised some concerns that the investment had some characteristics of a "possible fraud," he also made it clear that he did not have a complete picture of where funds had gone or how they were used. He noted the need for a much wider investigation, involving various associated companies, to gain a true understanding of how investor funds were spent. Without all the relevant information, the administrator could only speculate about the possibility of fraud. This full information about how investor funds were used is still unavailable, and as such, I am in no better position than the administrator to conclude that it is more likely than not an APP scam.

Likewise, I could not have expected Lloyds to conclude it was a scam at the time Mr and Mrs L made their claim. Ultimately, they made payments to L as part of a holiday lodge rental investment and the evidence presented to our service doesn't sufficiently demonstrate that L didn't have the intention of carrying out and completing the developments at the time of the payments. Because of this, I'm not satisfied that Mr and Mrs L's claim meets the CRM Code's definition of an APP scam, and so I cannot reasonably conclude Lloyds acted unreasonably in refusing to reimburse them under the CRM Code.

I'm aware that multiple investors have brought claims that they lost money after investing with L and associated companies. I'm also aware there are other interested parties, including administrators and the police, who are currently conducting various reviews and investigations. The timelines and possible outcomes of those investigations 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.

If material new evidence comes to light at a later date, Mr and Mrs L would be entitled to ask Lloyds to reconsider a claim under the CRM Code, and they could ultimately refer any resulting complaint to this service.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

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

James Kimmitt
Ombudsman