

The complaint

A company, which I'll refer to as D, complains that Lloyds Bank PLC ("Lloyds") won't reimburse the money it says it lost to a scam.

Miss A, who is a director of D (alongside three others), brings the complaint on D's behalf. For ease, I will refer to D throughout this decision.

What happened

The circumstances that led to this complaint are well known to all parties, so I won't repeat them in detail here.

In summary, D was looking for a tiler to carry out renovation works on a property.

When carrying out online searches, D came across a company I'll refer to as 'PT'. It got in contact with PT and a person I'll refer to as 'K' attended the property and provided a quotation.

D made two payments totalling £2,171.00 – this was made up of a payment of £1,085.50 on 15 July 2022 (50% of the deposit amount) and a further payment of £1,085.50 on 19 July 2022 (remaining 50% of the deposit amount).

D has said it paid 50% of the deposit on 15 July 2022 on the confirmation of PT's appointment and for the agreement of an earlier start date. The remaining 50% of the deposit it says it agreed to pay was when K made a start on 19 July 2022.

K attended the property on 19 July 2022, and it's been said he moved some tiles into the property. K was due back the following day but didn't arrive. K sent an email to D to say he was unwell and couldn't attend.

In subsequent emails, K did enquire with D about agreeing a plan to continue the works.

D requested K return the deposit amount sent – it said the deposit needed to be returned in full before any meaningful negotiations could take place.

As K didn't return the deposit amount of £2,171.00, D sought to recover the deposit funds, alongside its costs through legal action – via a County Court. A judgement was entered in 2022 in D's favour against K. However, the bailiffs' attempts to recover the funds were unsuccessful.

D subsequently contacted Lloyds in June 2024 to raise a scam claim.

Lloyds declined to reimburse D the money it'd lost as it considered it to be a civil matter between D and K. It did pay D £80 compensation in recognition of the poor service one of its director's received when speaking to the fraud team.

As D didn't agree with Lloyds decision, it brought the matter to our service. One of our Investigators looked into things, but she didn't think the complaint should be upheld. In brief, she didn't think the evidence suggested K had an intention to defraud D at the time the payments were made. Our Investigator considered this to be a dispute between D and K, rather than a scam.

D didn't agree with our Investigator – it didn't feel the nuances of the situation had been considered. In summary (but not limited to) D has said:

- It paid a deposit for a service that was never provided
- It was misled into believing that the work would be completed
- It acted in good faith, providing K with opportunities to proceed, and attempted to maintain communication. In contrast, K's repeated pattern of behaviour resulted in financial loss
- That whilst, K suggested he was willing to resume work once he felt better, the work was never carried out and say it's calls went answered
- It's pointed to negative reviews online, which it says describes similar experiences, which D feels indicates that this was not a one-off oversight or misunderstanding
- D maintains, K's actions were intentionally misleading

Our Investigator considered the further points raised by D, but in the absence of any further evidence her outcome remained unchanged.

As an informal agreement hasn't been 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.

I'm aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. 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 think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

In deciding what's fair and reasonable, I'm 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 time.

The starting position in law is that D will generally be considered liable for authorised payments. It's accepted that it authorised the payments in dispute and so it is liable for them in the first instance. However, Lloyds was a signatory to the Lending Standards Board's 'Contingent Reimbursement Model' (the 'CRM Code'). Under the CRM Code, firms are expected to reimburse customers who fall victim to APP scams, subject to a number of exceptions.

However, the CRM Code is only relevant if I'm persuaded D did fall victim to an APP scam. The CRM Code specifically excludes certain types of disputes. It says:

“DS2(2) 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;” **

*Subsections (a) and (c) have been omitted as they are not relevant to this complaint.

So, taking into consideration the above, I must first decide whether D has likely been the victim of an APP scam or not. And whether Lloyds acted fairly, when concluding what had happened in the circumstances of this case amounted to a civil dispute and not an APP scam.

Having thought very carefully about Lloyds' actions, I think it did act fairly in reaching this conclusion. I do appreciate this is not the outcome D was hoping for, but I don't think I can fairly say Lloyds should reimburse it. I'll now explain why.

In order to be persuaded, on balance, that D has been the victim of an APP scam I need to look to the relevant definitions set out in the CRM code.

Here, that is DS1(2)(a)(ii) which says:

“(ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.”

When considering the above definition, I need to decide whether K had no intention of completing the work to the property when he took D's money. I'd need to be satisfied that K was intent on defrauding D. That's an accusation of criminal wrongdoing and not one that I take lightly. Unless the evidence shows that it's more likely than not that K intended to defraud D, I can't make a finding that it is a victim of fraud, and these payments would fall outside the scope of the CRM Code.

I cannot know for sure what was in the mind of K at the time the payments were received, so as a result, I must infer what K's intentions were, based on the available evidence that I have had access to. While this can be finely balanced, overall, based on everything I've seen and been told, I'm not satisfied that the evidence is strong enough to say that D was the victim of fraud.

From what I've seen and been told, D believed the payments it was making was for work (tiling) to be carried out by a genuine company – PT/K. So, I'm satisfied it thought the payments were made for a legitimate purpose. I must also consider the purpose the recipient (here that is K) had in mind, at the time of the payments, and whether this was broadly in line with what D understood to be the purpose of the payments.

Having reviewed all the testimony, information and evidence provided by both parties, I can't fairly and reasonably conclude that it was more likely than not that K set out with intent to defraud D. I'm satisfied, on the balance of probabilities, that the intentions and purpose of the payments match here.

I say this because, I'm persuaded D understood it was making the two payments for deposit payments. From the emails provided by D of communication with K, I'm satisfied D paid the initial deposit amount on confirmation of PT's appointment and for what appears to have been to secure an earlier start date of 19 July 2022 and, that the second payment was the other half of the deposit payment when K made a start on 19 July 2022. Although, I do note within emails sent by K that his position is that the deposit amount of £2,171.00 was due on the acceptance of the quotation. In any event, I'm persuaded the purpose of the payments was to pay a deposit.

The email communication I've seen, acknowledges that K attended the property on 19 July 2022 and that he moved some tiles into the property. I recognise there is somewhat of a disagreement/difference of opinion as to what work was carried out/agreed upon. But based on the information I've reviewed, I'm satisfied K did attend the property on the day agreed and that some work was undertaken. I understand that on this day, K attended the property on his own in the morning and then later that day with some colleagues.

I recognise that K then informed D the following day that he was unwell and was unable to attend. I can understand that this will have been frustrating for D's director's. But within the email communication, I can see K did say that he hoped to recover within the next few days and would be in touch to arrange a return to the site. Further, in later communication in August 2022, K again asked to agree a plan to continue the works.

From what I've seen, D requested a return of the deposit funds paid and shared that once this had been received back in full, it would then be willing to talk to K about the schedule of works and payments. From the emails provided to us; it appears that there was a difference of opinions between the parties and that K maintained the deposit paid was due upon acceptance of the quotation and would not be returned but would be deducted from the final balance. Albeit I acknowledge D has a different view as to why the deposit amounts were paid.

When carefully considering some of the aspects I've outlined above, I don't find these consistent with typical fraudster behaviour – in that a fraudster attempts to obtain as much money as quickly as possible. In this case, K did engage in continued communications with D, after he let it know, he'd fallen unwell and did ask D when it could be agreed that he could return to the site and the project.

D has raised that it feels K within his written communication has portrayed himself in a favourable light but says calls went unanswered. I also note D has highlighted some negative reviews online, which it says describes similar experiences, which D feels indicates that this was not a one-off oversight or misunderstanding. Having looked at the reviews D has provided to our service; I note that these reviews are dated after the payments it made to K in July 2022. As such, while I can appreciate why D feels this supports its position this does not demonstrate K had an intention to defraud D from the outset - at the time it made the payments.

I accept there maybe questions marks over how K operates, and I also accept K may not have been operating at the standards one might expect. But, while that may speak to poor business practices and unprofessionalism, it doesn't automatically mean that there was an intent by K to defraud D and take its money without having any intention of carrying out the work.

While I know D feels strongly about the matter, I've not seen anything that I can safely say meets the high legal threshold and burden of proof for fraud.

I'd like to assure D that I don't underestimate it's thoughts and viewpoint about what has happened. But I have to keep in mind that there are a number of potential reasons (other than an APP scam) for a breakdown in a relationship between two parties and for a dispute to exist. And unfortunately, there are businesses/people (K and his company) that can fail or be mismanaged such that agreements and agreed goods and services aren't provided or that there is a breakdown in the relationship between parties. But that doesn't necessarily amount to evidence of an intent to commit an APP scam from the outset.

I recognise that D had already obtained a judgement via the County Court against K but that the attempts to recover the money has not been successful. I further appreciate this will be disappointing and frustrating to D. But I can't simply find Lloyds is responsible for reimbursing the money it's lost; on the basis that D has been unable to successfully recover the deposit funds via the judgement obtained.

I accept D considers itself to be out of pocket, and has been let down by K. But that in and of itself is not enough to say it's been the victim of an APP scam whereby Lloyds would be liable to reimburse it. Overall, I'm satisfied that this scenario doesn't meet the CRM Code's definition of an APP scam.

As Lloyds didn't need to consider this as an APP scam, then it didn't need to go on to seek the recovery of any funds from K. I'm also satisfied that there wasn't anything else Lloyds could have done to prevent the loss here either, given the value and nature of the payments.

I am sorry to have to deliver this news to D. But, for the reasons I've explained, I cannot say that Lloyds should fairly and reasonably be held responsible for refunding D the money it paid. Based on the available evidence I've seen; I consider Lloyds were fair in considering the matter a civil dispute which isn't covered by the CRM Code.

My final decision

For the reasons explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 18 February 2026.

Staci Rowland
Ombudsman