

The complaint

Mr W complains Lloyds Bank PLC won't refund money he lost to what he believes was an investment scam.

In bringing this complaint Mr W is supported by a professional representative, which I'll refer to as "M".

What happened

On 24 January 2022, Mr W made a £1,000 payment to a company I'll refer to as "B", as part of an investment into a care home. Mr W has explained that he encountered B's director, Mr K, through his own work. They shared an interest in care homes and Mr K offered Mr W the opportunity to invest jointly in a care home. Mr W agreed to invest £101,500 via a limited company he was director of, plus £1,000 from his personal account. He expected to be repaid £300,000 from the investment in July 2022. Mr W said he started asking Mr K for updates on the investment from July 2022, but despite chasing weekly he has received nothing back from the investment and believes he's been scammed.

Mr W asked Lloyds for help recovering his lost funds. Lloyds said it was not required to reimburse Mr W's loss under the Contingent Reimbursement Model (CRM) Code, as it doesn't apply to civil disputes, which it considered this to be. But it accepted that it had not provided an adequate level of service, as it had failed to call him when it said it would. It offered £50 compensation to address the service concerns.

Mr W disagreed and, with the help of M, asked the Financial Ombudsman to investigate the matter. Our Investigator didn't uphold the complaint. He noted that there was insufficient evidence to show B was operating a scam as defined by the CRM Code. He concluded Lloyds had therefore not acted unfairly by refusing to reimburse Mr W's loss under the CRM Code.

M disagreed on Mr W's behalf and asked for the complaint to be reviewed by an Ombudsman. In short, M stated that Mr K failed to return Mr W's investment or pay the agreed returns, meaning the funds were not used as intended. It argued this breach was inconsistent with legitimate investment practices and raised concerns of possible dishonest intent. M claimed Mr W's payment was therefore misappropriated and should fall under the CRM Code. It added that Mr W relied on Mr K's representations before and after the payment and acted in good faith, believing the investment was genuine.

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.

Having done so, I have reached the same outcome as our Investigator and for largely the same reasons. I realise this will come as a disappointment to Mr W, but for the

reasons I'll set out, I don't think Lloyds should reasonably be expected to have prevented Mr W's loss, nor is it required to reimburse his loss under the CRM Code.

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 our Service 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 an independent, fair and reasonable decision, based on what I find to be the facts of the case.

Who is responsible for Mr W's losses?

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

Is Mr W entitled to reimbursement under the CRM Code

The CRM code was in place between 28 May 2019 and 7 October 2024, and so it is a relevant consideration here.

Lloyds was a signatory of the CRM code. This required it to reimburse customers who have been the victim of authorised push payment ('APP') scams, in all but a limited number of circumstances. But the CRM code only covers situations where the payment meets the definition of an APP Scam (DS1(2)). The relevant definition for this case would be that Mr W transferred funds to another person for what he believed were legitimate purposes, but which were in fact fraudulent (DS1(2)(ii)). The CRM Code expressly excludes "*private civil disputes*" from the scope of the Code. Lloyds considers Mr W's loss relates to a civil dispute.

Having carefully considered everything that has been provided by both parties, I'm not persuaded the weight of evidence demonstrates that it's more likely than not that Mr W has been the victim of an APP scam. In view of this, I consider Lloyds acted reasonably by concluding his loss arose from a civil dispute, which is not covered by the CRM code. I will explain why.

It is not in dispute that Mr W entered into the agreement with B in good faith, believing it was a legitimate investment. He has provided us with a signed copy of the agreement he entered into with B. While it does not explicitly set out what the funds would be invested in, it does set out that Mr W's company and B had agreed to invest jointly and share the profits from that investment in the same proportions as their individual investments.

While Mr W did not receive a return on his investment, resulting in him suffering a significant financial loss, there is insufficient evidence to support that B intended to defraud him.

I can see that B was incorporated on 10 August 2020, several years prior to Mr W's payments, and Companies House records show the company is currently active, with an up-to-date filing history. I can see that B is registered to the same address that Mr W says he visited to speak with Mr K about the investment opportunity. While registration on Companies House does not automatically indicate that a business is operating legitimately, it is a relevant consideration. And having carefully considered the information that is available on Companies House there is nothing that would lead me to a conclusion that B was more likely than not acting fraudulently.

Mr W has explained that he started contacting Mr K regularly from July 2022, to find out why he hadn't received returns on his investment. Mr W reports being given multiple reassurances that he would be paid back, with interest, but that to date Mr K has paid him nothing. While I can understand why, in the circumstances, Mr W may consider that Mr K has scammed him, I don't consider the fact that Mr K hasn't paid him is evidence of a scam. While it could be the case that B received Mr W's funds with no intention of using it for the purpose agreed (i.e. a joint investment), it is also possible that the money was used as intended but was then lost at that point for some other reason. Indeed, I note when Mr W reported the scam to Lloyds, he suggested that B may have been scammed by a third party.

Having received Mr W's payment, B provided him with a copy of a payment receipt showing that it had transferred £414,828.02 to an international company as part of the investment. Having reviewed a redacted copy of B's bank account statements, I can see a matching payment made from B's account to an international payee. The evidence therefore supports that, having received Mr W's payments, B moved the funds on to a third-party company, which appears to have some connection to investments. It seems on the face of it, that B did, most likely, use the funds as intended. Why the investment subsequently failed, or if B was itself the victim of a scam, is irrelevant for the purposes of deciding this case. I can only consider whether the evidence supports that B was more likely than not acting with fraudulent intent when it received Mr W's money, which I can't safely conclude here.

As our Investigator has set out, the receiving bank for Mr W's payments has confirmed that it has received no other allegations of fraud in relation to B or Mr K, and it has no other reason to question the use of the account.

Taking all the evidence I have seen together, I'm unable to conclude that it's most likely that B had fraudulent intent when it received Mr W's payment. In the absence of any persuasive evidence to prove B had set out to deceive Mr W into making his payment, I don't consider the CRM Code definition of an APP scam has been met. This means the CRM Code doesn't apply and so I can't agree Lloyds was wrong to consider Mr W's situation a civil dispute, and to refuse to reimburse him under the CRM code.

If in the future, further evidence comes to light which demonstrates B was acting fraudulently, such that the CRM Code's definition of an APP scam has been met, Mr W can ask Lloyds to reconsider his claim at that point. But as things stand, I can't require Lloyds to refund his loss under the CRM Code.

Should Lloyds have otherwise prevented Mr W's loss?

Outside the provisions of the CRM Code, there are circumstances where I'd expect Lloyds to intervene before processing a payment if it had reason to believe a payment instruction was unusual or suspicious. But, taking into account the value of the payment, its destination and Mr W's past account usage, I don't consider Mr W's £1,000 payment to B ought to have looked suspicious such that Lloyds was required to make further enquiries of him before processing it. I therefore don't consider Lloyds had any opportunity to intervene or prevent

the payment being made.

In summary, while I'm sorry to hear that Mr W has lost a considerable sum of money to what he believes to be a scam, I don't find there were any failings on Lloyds's part that would lead me to uphold this complaint.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 16 February 2026.

Lisa De Noronha
Ombudsman