

The complaint

Mrs A and Mr M complain that Lloyds Bank PLC ('Lloyds') won't refund the money they say was lost as the result of a scam.

What happened

Mr M met an individual I'll refer to as S, who he built a friendship with over a few months.

Mrs A and Mr M were looking to change a property from being two maisonettes to two houses. S offered advice about the proposed work. Mrs A and Mr M say S invited them to his home, which he said he'd completed work on. S also introduced Mrs A and Mr M to a builder who I'll refer to as D.

Ultimately, Mrs A and Mr M signed a contract with a company I'll refer to as C, for the work to be completed on their property. S said he would oversee the work, arrange purchasing and oversee paying the labourers. Mrs A and Mr M say they had a fixed price contract for £400,000.

S asked for £100,000 as an upfront payment for building materials and told them they wouldn't have to pay anything further for the first four months. However, within two weeks of making the payment, S was demanding more money and said the work would stop if they didn't pay it immediately. Mrs A says they paid around £6,000 per week in cash to S.

These are the cash withdrawals that Mrs A and Mr M made from their Lloyds account, which are the subject of this complaint.

Date	Details of transaction	Amount
10.5.2022	Cash withdrawal	£4,990
11.5.2022	Cash withdrawal	£5,000
12.5.2022	Cash withdrawal	£4,990
13.5.2022	Cash withdrawal	£4,990

Work commenced in July 2022. Mrs A and Mr M say demolition was carried out with the vast majority of the roof taken out, internal walls demolished as well as ceilings and floors. After the demolition had been completed, Mrs A and Mr M say S asked for £465,000 to complete the work.

In September 2022, Mrs A and Mr M terminated the contract with C. Mrs A and Mr M say S didn't provide the requested breakdowns on how the £100,000 was used. Also, S told Mrs A and Mr M that he had paid an electrician £15,000, whereas the electrician said he'd only received £2,000. There were also discrepancies regarding money paid to the plumber and costs associated with rubbish removal and scaffolding. Also, while £10,000 was paid for the purchase of wood, D says only £1,000 of wood was delivered to the site. Mrs A and Mr M set out her concerns in writing to S, saying there was a discrepancy of £50,000 between what they paid to S and what he put towards building costs. They asked S to refund them.

Mrs A and Mr M say S threatened to remove the props supporting the walls of the property.

Mrs A and Mr M believe they were the victim of a scam and contacted Trading Standards, the police and Action Fraud. They also raised a fraud claim with Lloyds through a professional representative.

Lloyds decline to refund Mrs A and Mr M saying they have a civil dispute with C and S.

Mrs A and Mr M weren't happy with Lloyds' response, so they brought a complaint to our service.

An investigator looked into Mrs A and Mr M's complaint but didn't uphold it. The investigator agreed with Lloyds that Mrs A and Mr M have a civil dispute with C and S. The investigator wasn't satisfied that Lloyds would've had any concerns if they intervened.

Mrs A and Mr M disagreed with the investigator's opinion and raised the following points:

- S was defrauding them in relation to what he said he'd paid to third parties versus what he actually paid them.
- S intentionally gutted the building to the point of structural collapse before giving them a quote for more than double the initial contract price to put it right.
- S forged D's signature on a deposit receipt.
- S has hidden assets amongst his family.
- S was involved in a previous land banking scam and was disqualified from being a company director as a result.
- Mrs A and Mr M and her husband have lost everything as a result of S's actions.
- The payments from her Lloyds account were unusual and Lloyds should've protected her.

Mrs A and Mr M say they have talked to lawyers about recovering their loss through the courts but have been told it's a non-starter as S doesn't have any assets. Also, they can't afford the costs that would be involved in a court case.

Mrs A and Mr M asked for an ombudsman to review their case.

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 really sorry to hear about the significant financial difficulties that Mrs A and Mr M have faced as a result of C and S's actions. As well as the serious impact the stress from this situation has had on their health. I realise that Mrs A and Mr M have ended up significantly out of pocket, but I'm not making a finding on whether C or S owes them money, rather whether Lloyds can fairly be held liable for their loss.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

In broad terms, the starting position at law is that Lloyds is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account. It's not in dispute that Mrs A and Mr M authorised these payments, although they did so not realising that they would suffer a financial loss as a result.

But there is an expectation for Lloyds to be on the lookout for, and to protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. Where potential fraud is identified, I would expect Lloyds to intervene and attempt to prevent losses for the customer.

Lloyds also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customers' accounts safe.

Lloyds say all of the cash withdrawals were completed in branch and they only intervened on the second payment, which was for £5,000. As part of their intervention, they asked Mrs A and Mr M the purpose for the funds and say they were told the funds related to a holiday they were taking. Lloyds say they didn't have any concerns about any of the other withdrawals.

I'm satisfied that Lloyds acted appropriately by asking Mrs A and Mr M questions about the second payment they made. I'm not satisfied that the other withdrawals were so unusual and out of character that Lloyds should've been concerned. However, even if I thought Lloyds should've intervened on the other payments, it wouldn't change the outcome and I'll explain why.

It's unclear why Mrs A and Mr M told Lloyds they were making the withdrawal in relation to a holiday. The messages between Mrs A and Mr M and S and D, only start in June 2022, which is after these withdrawals had been made. So, I can't see if S told Mrs A and Mr M what to tell the bank. But, even if Lloyds had asked more open and probing questions about the cash withdrawals, and Mrs A and Mr M had told them it related to building costs, I'm not satisfied that Mrs A and Mr M would've shared any information that should've concerned Lloyds.

In May 2022, Mrs A and Mr M didn't have any concerns about S, C or D. S had built a friendship with Mr M, so Mrs A and Mr M trusted him at the time these withdrawals were made. Also, the quote they received from C, was in line with another quote they had received for the same job. And Mrs A and Mr M say they spoke to a previous client of D's and were provided with pictures of work he'd completed.

So, I'm not persuaded that there is any information that Mrs A and Mr M would've shared with Lloyds that meant they could reasonably have refused to allow the withdrawals or that intervention would've prevented Mrs A and Mr M's loss.

I'm really sorry to disappoint Mrs A and Mr M but I'm not satisfied that I can fairly hold Lloyds liable for their loss.

My final decision

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

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

Lisa Lowe
Ombudsman