

The complaint

Mr C complains that Lloyds Bank PLC ('Lloyds') won't refund the money he says was lost as the result of a scam.

What happened

Mr C planned to start self-building his home in 2023. In 2022, he was referred to a company I'll call X. X were to supply insulated concrete form blockwork, from an Italian supplier.

In December 2022, X told Mr C that the price for the blockwork would increase in 2023, and he was encouraged to pay for the blockwork early.

On 22 December 2022, Mr C transferred £1 to X, followed by a further payment of £19,281.15 on the same day.

The materials were due to be supplied in late winter/early spring 2023.

In April 2023, X went into liquidation. Mr C never received the materials he'd paid for.

Mr C raised a fraud claim with Lloyds, asking that they refund him. Lloyds declined to refund Mr C saying X were a genuine company and Mr C has a civil dispute with them.

Mr C wasn't happy with Lloyds' response, so he brought a complaint to our service.

An investigator looked into Mr C's complaint but didn't uphold it. The investigator wasn't satisfied that the evidence showed X had set out with the intention of defrauding Mr C, so his payment isn't covered by the Contingent Reimbursement Model Code (CRM Code).

Mr C disagreed with the investigator's opinion and asked for an ombudsman to review his case. Mr C has referred to the ongoing police investigation, saying the police believe he was the victim of fraud and they will be approaching CPS early 2026 in relation to possible charges.

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 that Mr C has ended up significantly out of pocket as a result of X's actions. But I'm not making a finding on whether X owes Mr C money, rather whether Lloyds can fairly be held liable for his 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.

Is Mr C entitled to a refund under the CRM Code?

Lloyds have signed up to the CRM Code, which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams, in all but a limited number of circumstances.

But the CRM Code does not apply to private civil disputes, for example 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 CRM Code defines what is considered an APP scam as, "where the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent".

In order to decide whether the circumstances under which Mr C made his payment meets the definition of an APP scam, I need to consider:

- The purpose of the payment and whether Mr C thought this purpose was legitimate.
- The purpose the recipient (X) had in mind at the time of the payment and whether this was broadly in line with what Mr C understood the purpose to be.
- And, if I decide there was a significant difference in these purposes, whether I'm satisfied that was as a result of dishonest deception.

Mr C was making his payments to X so they could order concrete form blockwork from an Italian supplier. I haven't seen anything that would've suggested to Mr C that this wasn't a legitimate purpose.

So, I've gone on to consider what purpose X had in mind and whether it was in line with what Mr C thought.

In reaching an answer on what purpose X had in mind, the key information is:

- X was a UK incorporated company set up in February 2017. It appears to have been operating for some years prior to Mr C making his payment. Mr C says he attended an expo where X had a stall and, after talking to them, came away confident they could offer what he needed. The evidence suggests that X were actively operating in the construction industry at the time Mr C made his payment.
- We've received information from the receiving bank, and I'm limited on what I can share due to data protection legislation. But this evidence shows expenditure in line with the purpose for which Mr C made his payment. Mr C says the Italian supplier has no record of an order in relation to the payment he made to X. But I can see a payment to the supplier shortly after Mr C made his payment. It's possible that this

payment doesn't relate to Mr C's order (it could be for another customer), but without forensic accounting I can't fairly say that Mr C's funds weren't used for the intended purpose. The type of evidence we would need to see is likely to be obtained by the police or a liquidator who can trace how Mr C's funds were used.

- Mr C has referred to the ongoing police investigation. However, at this stage there haven't been any charges or convictions in relation to X or its directors. Mr C has provided an email where the police suggest there may've been fraud, but we haven't been provided with any evidence to support that claim. Also, an allegation of fraud isn't sufficient to say Mr C's payment is covered by the CRM Code.
- It's possible that X went into liquidation for a genuine reason and intended to provide Mr C with the materials at the time it took his payment. To be satisfied that X took Mr C's funds with a different purpose in mind and through dishonest deception we require evidence to show X's intention in December 2022 when Mr C made his payment. As an informal dispute resolution service, we cannot hold a case open awaiting the conclusion of the police's investigation and any resulting court case. But, if material new evidence comes to light at a later date, Mr C can ask Lloyds to reconsider his claim.

Having carefully considered the evidence, I'm not satisfied that Mr C has shown X took his funds with a different purpose in mind, or that his funds weren't used for the intended purpose. On that basis, I'm not satisfied that Mr C's payments meet the definition of an APP scam, which means they aren't covered by the CRM Code.

Is there any other reason I could hold Lloyds liable for Mr C's loss?

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.

Based on Mr C's previous account activity, I'm satisfied that the payment of £19,281.15 was unusual and out of character. Lloyds say they can't confirm what warning Mr C may've been shown as that information is no longer available.

However, even if Lloyds had called Mr C to discuss the payment, I'm not satisfied that they could've prevented his loss. I'll explain why.

At the time Mr C made his payment, X was an active UK company. Mr C had met with the directors at an expo where they had a stall and X were referred to Mr C by another company who were going to provide the materials but later faced difficulties. Mr C received an invoice from X and all of the information on the invoice matched the information on Companies House. I can't see that there was any information available at the time Mr C made his payment, which would've concerned Lloyds or meant they could fairly have refused to make his payment.

I'm really sorry to disappoint Mr C, but I'm not satisfied that I can fairly ask Lloyds to refund him.

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 Mr C to accept or reject my decision before 11 February 2026.

Lisa Lowe
Ombudsman