

The complaint

Miss K complains Lloyds Bank PLC refused to reimburse money she lost to what she considers to be a scam.

What happened

The background to this complaint is familiar to both parties, so I'll only refer to some key events here.

On 28 May 2024 Miss K made payments totalling £15,000 from her Lloyds account to an investment with a company I'll refer to as 'M' – this was part of a larger £20,000 investment which was part funded from another account which is the subject of another complaint.

M advertised that it offered a coaching and mentoring course to people who aspired to run their own digital businesses. It also offered an investment opportunity, which I'll refer to as the 'D Package', where investors would fund the marketing of the coaching course via a social media account, in return for a share of the commission earned from the sale of those coaching courses. Miss K was promised returns for two years, followed by the return of the initial investment.

Having invested £20,000, Miss K initially received some monthly returns, although these were delayed and inconsistent. In November 2024, Miss K was contacted by members of M's former sales team advising that they had uncovered that the D Package was in fact a Ponzi scheme and that M's director ('Mr A') had admitted to defrauding people.

Miss K asked Lloyds to reimburse her losses under the Lending Standard's Board Contingent Reimbursement Model ('CRM') Code. Lloyds acknowledged Miss K's claim but said it could not reach a conclusion on whether she was entitled to reimbursement under the CRM Code as the Financial Conduct Authority was currently investigating M and its director. It said there wasn't enough evidence to show this was a scam or that the company had an intention to defraud from the outset. So, it couldn't agree the definition of an APP scam had been met. But it agreed to reconsider Miss K's claim if further evidence came to light which indicated M was a scam.

Unhappy with Lloyds' response, Miss K referred her complaint to the Financial Ombudsman Service. Our Investigator didn't uphold the complaint. While she acknowledged the concerns raised about M and its director, she explained why the evidence presented was very finely balanced and why it was not possible, based on the evidence currently available, to determine that Miss K had most likely lost money to a scam. In the circumstances she considered Lloyds had acted reasonably in seeking to rely on the provisions within the CRM Code to delay making a reimbursement decision until the outcome of investigations into M had concluded.

Miss K disagreed and asked for an Ombudsman's final decision. She highlighted the following information and evidence, which she considered overwhelmingly supported that the D Package was a scam and that M was operating fraudulently:

- The contract Miss K signed with M promised her that a social media page would be created and she would receive monthly returns of £2,500, but neither materialised. And Miss K was aware of multiple investors who reported the same problems, which was also echoed in online reviews.
- All the money Mr A received was from investors into the D Package. There was no separate revenue stream that could have supported the promised returns. This is the definition of a Ponzi scheme.
- Sale figures and marketing were fabricated. Miss K considered this was a deliberate misrepresentation designed to induce investment.
- Mr A openly admitted to running a Ponzi scheme in a “confession” video. His later claims of being pressured to make statements do not outweigh his admission. Miss K said it would not be reasonable to dismiss this view when it is consistent with the pattern of events and experiences of multiple victims.
- Mr A sought payment to his personal account. Miss K said this was a red flag, and not consistent with a legitimate investment scheme.

Miss K maintained that she should be entitled to reimbursement under the CRM code on the basis she'd lost money to an authorised push payment ('APP') scam. Our Investigator considered what Miss K said, but her position remained the same. So, the matter has 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 serious disappointment to Miss K, not least because of the significant loss she, along with her family, has suffered. I do not underestimate the impact of losing money in these circumstances. But based on the evidence that is currently available and for the reasons I'll set out, I don't think Lloyds has acted unreasonably in seeking to wait for the outcome of ongoing investigations before deciding whether to reimburse Miss K under the CRM Code.

I'm very 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. 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.

I'm also mindful that, in her submissions to this service, Miss K has mentioned that other investors have been reimbursed their losses by other financial institutions. While this may be the case, it doesn't automatically follow that the Financial Ombudsman would require other banks to do the same. Here, as I'm required to, I've looked at the individual circumstances of Miss K's complaint.

It isn't in dispute that Miss K authorised the payments in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that she's liable for the transactions. However, if a customer makes a payment because of the actions of a fraudster, it may sometimes be fair or reasonable for the bank to reimburse its customer even though they authorised the payment.

Lloyds was a signatory to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances). But the CRM Code can only apply where the transaction(s) meet the definition of an APP scam. The relevant part of the CRM Code definition of an APP scam requires that the payment was made to: *“another person for what they believed were legitimate purposes but which were in fact fraudulent.”*

Ultimately, Lloyds had one of three options available to it when Miss K claimed reimbursement under the CRM Code; it could either accept a scam has occurred and consider whether it should reimburse Miss K under the CRM Code; it could decide that no scam has occurred and therefore not reimburse Miss K; or it could decide to await the outcome of an investigation by a statutory body before making a reimbursement decision, as allowed for under provision R3(1)(c).

Here Lloyds has effectively sought to rely on provision R3(1)(c), as it has decided to await the outcome of ongoing investigations into M and Mr A before reaching a decision.

In reaching my findings, I've therefore thought about whether there is currently enough evidence to decide that the payments Miss K made were the result of an APP scam, bearing in mind the definition of an APP scam set out above. Or whether Lloyds acted reasonably in postponing its decision until the conclusion of ongoing investigations.

I'm satisfied Miss K believed the payments were for a legitimate purpose. This is because at the time she made the payments, M's website contained courses available to clients along with endorsements from businesses and students. I understand Miss K's husband had also worked for M for a short time and understood it to be a legitimate enterprise. So, I can see why Miss K considered the opportunity to be legitimate.

But for the APP scam definition to apply, I'd also need to be persuaded that the purpose M had for the payments was fraudulent. To reach that conclusion, I'd need to be satisfied that M's purpose was significantly different from Miss K's purpose when she made the payments, and that this was the result of dishonest deception by M. I'd also need to be persuaded, on the balance of probabilities, that this isn't a private civil dispute and that the money was obtained by dishonest deception such that it was criminally obtained.

From what I have seen so far, I'm not persuaded the available evidence indicates a scam has more likely than not occurred. Ultimately this is because the available evidence is finely balanced and not always clear or conclusive, so I don't think I can fairly determine how or why Miss K's money was lost. But I accept ongoing investigations could uncover further evidence which could tip the balance one way or another. In these circumstances, and for the reasons I'll go on to explain further, I think it is fair and reasonable for Lloyds to rely on R3(1)(c) of the CRM Code and delay making a reimbursement decision.

I know Miss K considers there is overwhelming evidence which already indicates the D Package was a scam, and that M was acting fraudulently. She has highlighted some key pieces of evidence which she feels support her assertions that she'd been scammed. I've also reviewed publicly available information about M as well as information retrieved from banks which held accounts for M. Below, I have set out why the evidence doesn't persuade me, it's more likely than not Miss K has been scammed.

Video confession of M's director

Miss K has referred me to a “confession video”, which she considers to be proof she was scammed. I am aware that in this publicly available video, Mr A states that monthly sales

figures for M's courses had been "*edited*" and that actual sales were "*a few a day*", and that the last "*significant*" sales had occurred in 2022 or 2023. Mr A also appears to suggest that the D Package was in fact a Ponzi scheme.

While on the surface this may appear to be a clear admission of wrongdoing by Mr A, the questioning appears to have been carried out by members of his sales team, who may have had an interest in assigning blame elsewhere. I say this because it's clear the video was recorded in an informal setting and those questioning him seem to know him well given the colloquial language used.

I'm mindful that in November 2024, an online news outlet quoted Mr A as saying that he'd been "*threatened and pressured*" to make certain statements in the video. He also acknowledged his own shortcomings as well as those within his team which led to the business's breakdown. He also expressed a commitment to work with investors to return funds, and indicated he was pursuing legal action alongside a police report.

Of course, I can understand Miss K's concern regarding what Mr A is recorded as saying. On the face of it the recording appears to be a clear admission Mr A was not using his investors' money for the intended purposes. But I'm mindful that those making the recording appear to be members of the sales team, and they could very well have a vested interest in ensuring someone takes the blame for anything that went wrong.

Overall, I'm not persuaded the video is sufficiently reliable or persuasive evidence, given Mr A's claim of coercion, and the possibility that his comments were made under duress. That said, I haven't disregarded the content of the video in reaching my conclusions, but I do take the accuracy of what was said with caution. Furthermore, while it's unclear what "*significant challenges*" Mr A references, this does give rise to the possibility of poor business practices resulting in the failure of the business.

M's account activity and payments to M

I have also reviewed bank accounts controlled by M. While I can't share the full details of what I've seen, I can see significant revenue, which appears to be comprised of credits from various individuals and businesses with no clear link to the D Package. Such credits could relate to sales of online courses or to other legitimate operations, but they may also reflect purchases of the D Package. I can also see that a large number of payments were made to and received from outside the UK, from countries it was claimed M operated in.

Without knowing the exact purpose behind each payment, it wouldn't be fair to conclude this revenue to be ill-gotten gains. The payments could speak to the legitimacy of the scheme but on the other hand they may not. It is worth explaining that we have limited powers to make enquiries about these payments and external organisations, such as the police, are much better placed to undertake such enquiries.

Miss K has highlighted that certain payments were made to an account in the name of a dissolved business, and others to Mr A personally, which she has suggested is not consistent with a legitimate investment scheme. But given Mr A's claim that he was self-employed, such use of a personal account would not necessarily be considered suspicious and it's possible the use of the dissolved business account may represent an administrative error.

While this evidence could indicate suspicious and untoward activities by M, it could also simply be the result of poor administration and/or substandard company practices.

A key feature of the D Package was that M would create and manage a social media page, through which customers would purchase access to M's courses. Purchasers of the D Package were told that their funds would be used to pay for social media marketing, and I can see that there are significant payments to a specific social media platform across the accounts associated with M. I can also see that M did advertise online, which supports the argument that marketing activity occurred.

However, there is a discrepancy between the total sum of money paid to the social media platform and the funds M received from purchasers of the D Package. It's also a concern to see that many such purchasers, including Miss K, have reported not receiving the social media pages that were promised.

Given the discrepancy mentioned above, I've considered the possible explanations as to why this occurred. It's possible the difference in funds received from purchasers and funds paid to social media platforms resulted from M's operational shortcomings. It could also be as a result of failings on the social media platform's part. It also remains possible that there was a deliberate non-performance of the contracted activity by M with the view to defrauding its customers.

There are a number of possible and plausible explanations regarding the failure of M to carry out its contractual obligations. The evidence currently available doesn't persuade me, either way, that the failure to carry out its operations were innocent failings on M's part or whether these were deliberate actions with the intention of defrauding its customers.

Further to this, it's possible that investigations by other parties may have uncovered accounts that myself, and this service, is not aware of. So, it remains that there could be vast sums being paid to the social media platform in line with the activity we'd expect to see of M. Conversely, it could be the case that the other potential accounts could show no other payments being made to the social media site.

Without knowing that we've reviewed all of the accounts linked to M, I can't be satisfied that the discrepancy already identified in sums received for the D Package and sums paid to social media platforms is a true reflection of M's operations. I'm conscious that such confirmation may only come at the conclusion of any investigation by law enforcement. While not critical to the overall outcome here, this further demonstrates the difficulty our service has in drawing a conclusion as to whether the account activity we've reviewed indicates that fraudulent actions have taken place.

Claims on M's website

Miss K has said M's website included a fake association with a well-known figure in the Muslim community. This person will be further referred to as "Mr N". Miss K has provided us with a screenshot from M's website (which has since been taken down) which says Mr A spoke to Mr N about social media marketing for two hours.

Miss K has suggested this association was fake or misleading. In a separate video, published outside of M's website, Mr N states that he does not recognise Mr A's name but recalls speaking for two hours to someone who tried to charge a monthly fee for online marketing. He also states he had not given consent for his photo to be used on M's website. I'm not currently persuaded that M claimed an association in the manner alleged, as I can't see M's website ever made any claims regarding Mr N's approval or promotion of the company. Rather, there appears to be a dispute about the nature of their interaction. And it seems plausible that Mr A did speak to Mr N given the image of the video call that has been shared.

I've also reviewed additional screenshots of M's website which include claims they had partnerships with several other brands. The website also included information on the courses they sold, video testimonials from network members, profiles of key team members, and statements asserting that M supported various businesses to expand and grow. While I've not been able to confirm the accuracy of these claims and testimonials, the available evidence doesn't show these claims to be untrue or that they aren't based on genuine experiences and business relationships.

Police investigation

I appreciate there is an ongoing police investigation, and that a case was recently being prepared for the Crown Prosecution Service for charging advice. I can understand why Miss K feels this is significant, as it demonstrates the police are treating this matter as a suspected fraud and not just a failed business venture.

But it is important to note that the purpose of a police investigation is to gather evidence. And that will likely go toward investigating what the intent was at the time; the result of which may or may not lead to a prosecution. But in and of itself, an investigation doesn't automatically mean that a fraud has occurred. And so, while I understand Miss K's strength of feeling, the existence of the police investigation does not lead me to conclude that it's more likely than not a scam has occurred.

Lloyd's handling of Miss K's complaint

In bringing her complaint, Miss K noted that Lloyd's handling of her initial claim and subsequent complaint had taken too long, and that being left without answers had impacted her emotionally and mentally.

Having completed my review of this case, I can see that having initially made her claim for reimbursement in November 2024, Miss K was largely left without an answer or any meaningful updates until June 2025. During this time, she had to repeatedly chase for updates.

Bearing in mind my conclusions above, while I accept Lloyds was not in a position to provide Miss K with its reimbursement decision, I think it ought to have provided her with more meaningful updates to explain why this was. Overall, I think it would have lessened the emotional impact on Miss K had Lloyds been clearer and more upfront about the process and the potential timeframes involved.

In the circumstances, I think Lloyds should pay Miss K £200 compensation in recognition of the distress and inconvenience its lack of updates caused her.

Overall

For the reasons I've explained, I agree that there are some concerning features regarding M and its operation but there are simply too many unknowns for me to be able to draw conclusions, even on a balance of probabilities.

While I do not rule out the possibility that Miss K has been the victim of fraud here, I also cannot reasonably exclude the possibility she has instead lost money to a failed investment. It is possible that further evidence may become known at a later date, which may indicate that fraud has taken place.

I'm sorry to hear of what's happened to Miss K and I have a great deal of sympathy for her. There's no doubt she and her family have lost a significant amount of money, and I can

understand why she feels badly let down by M and Mr A. But my role here is to consider Lloyds' actions and based on the evidence available I don't think it has acted unreasonably in relying on R3(1)(c) to delay making a reimbursement decision until more information comes to light. It follows that I don't think Lloyds is required to reimburse Miss K under the CRM Code.

Should any material new evidence come to light at a later date that would suggest that Miss K was the victim of a scam, such as from the ongoing police investigation, then I would suggest she contacts Lloyds to make them aware of this new evidence.

My final decision

My final decision is that I uphold this complaint in part. For the reasons set out above, Lloyds Bank PLC should now pay Miss K £200 compensation for the distress and inconvenience it has caused. I make no other award against it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 25 March 2026.

Lisa De Noronha
Ombudsman