

## The complaint

Mr J complains that Lloyds Bank PLC won't reimburse payments he made to what he now believes to be a scam.

## What happened

Mr J saw details online for an investment in whisky with a company I will call "W". Having spoken to one of W's directors, Mr J invested £14,775 in a cask of whisky in May 2022. Mr J is happy with this initial investment, as it is in a specific cask which he is aware is being stored at a known location, this investment is due to mature in 2027.

Mr J was then contacted by an individual working for a third-party investment firm, who told him about a 3 year bond on offer with W which would offer returns of 6%. Given his previous experience with W, Mr J was happy that this was a genuine opportunity and decided to invest.

Mr J made a payment of £12,000 to W in September 2022. He received the expected returns until March 2024. When April's payment was late, he contacted W and was told there had been some issues but that he would receive that months payment with an extra bonus amount to make up for the delay. The April payment did then arrive, but Mr J received no further payments after that. W has not corresponded with Mr J any further about this investment.

In July 2024 Mr J was contacted by someone who told him his investment had been passed to a third party and that he should contact them about an 'early redemption scheme' which would lead to the return of his funds. Mr J did as instructed and was told to pay £2,400 to facilitate this refund, he made this payment from his mother's account (with her permission). But Mr J was then told he'd need to pay another £3,700 to release his refund, and became suspicious. Having spoken to bank staff about this he was advised that this was likely a scam, so he did not make this further payment. I understand that the £2,400 has been refunded by Mr J's mother's bank.

Mr J was then contacted by an individual who claimed to work for the Insolvency Service. He was told that his £12,000 would be returned to him but that he would first need to pay a fee of £2,160. When Mr J tried to make this payment from his Lloyds account Lloyds intervened, and would not allow the payment to be made. Mr J therefore made the payment to another account he held elsewhere, before passing the funds on to the scammer.

When his £12,000 was not reimbursed, and he then discovered that W apparently had not taken all the steps it should have regarding setting up the investment, he became concerned that he had been scammed and raised those concerns with Lloyds.

Lloyds declined to offer Mr J a refund. It said it didn't think it had done anything wrong regarding the payment to Mr J's own account, and that W had been a failed investment, rather than a scam. Mr J was unhappy with Lloyds' response, so he referred his concerns to our service.

One of our investigators looked into what had happened. They felt that the evidence suggested that W was not acting fraudulently, and so Mr J was not entitled to a refund of this payment under any of the relevant rules or guidance. Regarding the payment to Mr J's own account, they agreed that Lloyds had acted reasonably, and could not have been expected to prevent this payment. So, they did not recommend that Mr J's loss be refunded to him.

Mr J didn't agree with our investigator's opinion, he maintains that W was not authorised to offer the investment it did, and that this shows a clear intention to defraud him. So, as no agreement could be 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.

Having done so, I agree with the outcome reached by our investigator for the same reasons. I will explain my reasoning in more detail below. But first, I think it might be helpful to explain that it seems likely that there are two separate issues that have affected Mr J here.

It seems to me that he has:

- 1) Paid into an investment that he feels was fraudulent with W (the £12,000 payment); and then also
- 2) Been the victim of what appears to be a recovery scam, where he was induced to make additional payments to recover his loss (the £2,160 payment he sent via his own account and the payment sent from his mother's account)

In broad terms, the starting position at law is that a bank such as 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.

Lloyds was a signatory of the Contingent Reimbursement Model Code ("the Code") Which, at the time Mr J made these payments, required firms to reimburse customers who have been the victims of authorised push payment ("APP") scams in all but a limited number of circumstances. The Code does not apply to payments made between accounts belonging to the same customer, so the £2,160 payment Mr J made to his own account with another bank is not covered by the Code.

In addition, the Code does not apply to "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".

It follows that Mr J would not be entitled to a refund under the CRM Code if it was found that his payment to W went to a legitimate investment that ultimately failed. I'll look at each of the disputed payments separately, as they need to be considered slightly differently:

#### *The £12,000 payment to W*

In order to reach my decision on this complaint, I've considered the purpose for which Mr J made his payment to W and the purpose for which W received that payment. And, if there is a significant difference in these purposes, whether I can be satisfied that this difference was as a result of dishonest deception.

I'm satisfied that Mr J intended his funds to be used to purchase a bond. So, I've then gone on to consider the purpose W had in mind at the time it received Mr J's funds and whether W's purpose was in line with the purpose Mr J had in mind. In reaching a conclusion on this point, I've considered the following:

- I acknowledge that Mr J says W was not permitted to issue bonds in the way it did, but we have been given no conclusive evidence to show that this was the case.
- In any case, this service has seen statements relating to W's beneficiary account. While I cannot share the details of these statements due to data protection rules, I can confirm that the statements do show significant sums being paid out of the account, for around a year and over the period that Mr J made his payment, to well-known distilleries and whisky storage facilities. This suggests to me that W was investing in whiskey as it had said it was, so I'm satisfied Mr J's funds would've most likely been used for the purposes agreed too.
- Mr J did receive returns in relation to his investment with W, which also supports that his funds were invested and generating returns for at least a while.
- I acknowledge that W was not FCA registered, and that there has since been a proposal for it to be struck off the Companies House register, but that does not automatically mean that it was operating fraudulently.

Overall, I'm not persuaded that Mr J has sufficiently demonstrated that the investment he entered into wasn't legitimate. The activity on the beneficiary account and the returns received by Mr J suggest it was. And for this reason, I'm not persuaded that Mr J has fallen victim to an APP scam regarding this payment, based on the evidence available to me. I appreciate that this will be extremely disappointing for Mr J but I'm unable to say that Lloyds should reimburse his loss.

Should any material new evidence come to light at a later date, for example from the police or administrators, Mr J can ask Lloyds to reconsider his claim. But, as it stands, I can't fairly say Lloyds should reimburse his losses under the CRM Code. And given that I don't consider there is any clear evidence to show that this was a scam, I don't think I can reasonably say that Lloyds could have prevented Mr J from making this payment.

I do want to say how sorry I am to hear about what has happened to Mr J. I have every sympathy for him as it is clear he has lost a substantial amount of money. But many businesses and investments fail and enter administration for genuine reasons, and not because they were set up to defraud and scam people. Based on the evidence currently available, I believe that to be the case in this instance.

#### *The £2,160 payment to Mr J's own account at another bank (Bank R)*

Because this was a payment to Mr J's own account at R, this payment is not covered by the CRM Code.

So, in this case, the relevant regulations are the Payment Service Regulations 2017. Those regulations state that an account holder is liable for payments they have authorised. And there is no dispute here that Mr J did authorise this payment. That means Mr J is responsible for this payment, and that remains the case even though it seems Mr J was the unfortunate victim of a recovery scam.

Because of this, Mr J is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

Taking the above into consideration, I need to decide whether Lloyds acted fairly and reasonably in its dealings with Mr J, or whether it should have done more than it did.

However, considering the value and nature of the payment, in the context of Mr J's account, I don't think Lloyds needed to do more. Lloyds had already stopped an earlier attempted payment by Mr J, and had provided him with education about scams. But this payment was for a different amount, and to an account in Mr J's own name that he had paid before. I don't think it would have been clear to Lloyds that there was any connection between this payment and the payment it had stopped previously, or that this payment was so unusual that Lloyds should have stepped in to question Mr J about it for any other reason.

So, given that I do not consider Lloyds missed an opportunity to intervene in this payment, even though I accept it's likely this particular payment was the result of a recovery scam, I don't think Lloyds could have reasonably done anything to prevent his loss and I'm satisfied its decision not to refund this payment was fair.

So, overall, looking at both the disputed payments here, I am satisfied that Lloyds has treated Mr J fairly, and that I cannot reasonably ask it to refund either of those payments to him.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 26 February 2026.

Sophie Mitchell  
**Ombudsman**