

The complaint

A company, which I'll refer to as 'A', complains that Lloyds Bank PLC ('Lloyds') won't reimburse funds lost to what its director says was a scam.

Mr M, who is a director of A, brings the complaint on A's behalf.

What happened

Mr M says that he saw a social media post advertising a company involved in high quality HMO conversions. I'll call this company 'S' in my decision. In April 2022 Mr M attended an open day and met key personnel, who explained that S would manage the refurbishment. Mr M bought a property which S was due to convert to a seven- bedroom HMO and was asked to make advance payments for materials and labour.

Between April and October 2022 Mr M made payments to S from his personal account amounting to £87,675. He says he used this account while his business account was being set up. Between January and August 2023 Mr M then made payments from A's account (which added up to £62,940). In around September 2023 S ceased all work. Following a winding-up order, joint administrators were appointed in August 2024.

In August 2025 Mr M raised a scam claim with Lloyds. He said he thought the project had been misrepresented by S.

Lloyds didn't agree to reimburse A's loss. It said Mr M, acting on behalf of A, had a dispute with S about the quality or delivery of agreed services which fell outside the scope of the Contingent Reimbursement Model Code ('CRM Code').

Mr M, acting on behalf of A, didn't agree with Lloyds' response and brought a complaint to this service. He said that the ongoing investigations by the police and court appointed liquidators confirm that S's activities involved serious fraud.

The investigator who considered A's complaint didn't recommend that it be upheld. She said she thought S was operating legitimately at the time the payments were made from A's account and the funds were likely used for the intended purpose.

Mr M didn't agree with the investigator's findings and asked for a decision. I have summarised below what I consider to be his main points:

- Lloyds failed to intervene when out of character payments were made across two accounts. The pattern of repeated and escalating payments over 16 months is an indicator of fraud.
- The existence of some legitimate trade expenditure didn't preclude APP fraud. S managed different projects concurrently and payments could relate to any of the projects.
- Insufficient weight had been given to independent forensic evidence from a court appointed liquidator. The liquidator has identified six categories of potential claims against S. There is also an active police investigation and around 12 other victims.
- Mr M believes that a company that was genuinely applying client funds to client projects would not accumulate £1.8 million in unsecured creditor claims, fail to meet its tax obligations and leave no assets on liquidation.

- A criminal conviction isn't required for the CRM Code definition of an authorised push payment (APP) scam to apply. The relevant standard to apply is the balance of probability.
- S made false progress representations to induce further payment.

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.

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 I can't know for certain what has happened, I need to weigh up the evidence available and make my decision on the balance of probabilities – in other words on what I think is more likely than not to have happened in the circumstances.

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.

Here, it's not in dispute that the payments were authorised, so the starting position is that Lloyds isn't liable for the transactions.

But, at the time Mr M made the payments from A's account, Lloyds was a signatory of the CRM Code. The CRM Code required firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. But the CRM Code only applies if the definition of an APP scam, as set out in it, is met.

I have considered whether A's claim falls within the scope of the CRM Code, which defines an APP scam as:

...a transfer of funds executed across Faster Payments...where:

- (i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- (ii) (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.*

The CRM Code is explicit that it doesn't apply to all push payments. It says:

"This Code does not apply to: (b) 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".

To decide whether A is the victim of an APP scam as defined above I have considered:

- The purpose of the payments and whether Mr M (acting for A) thought this purpose was legitimate.
- The purpose the recipient (S) had in mind at the time of the payments, and whether this broadly aligned with what Mr M understood to have been the purpose of the payments.
- Whether there was a significant difference in these purposes, and, if so, whether it could be said this was as a result of dishonest deception.

As set out in the agreement between Mr M on behalf of A and S, Mr M made the payments from A's account for work to be completed at a property he had bought to convert from a

three-bedroom house to a seven-bedroom HMO. Mr M has provided limited evidence about the work completed by S. But it's clear that S completed work including rip out and an extension. So, I think Mr M's and S's purposes were aligned.

I note that Mr M hasn't disputed that work took place but says that payments were made based on false representations and weren't applied to the work required to refurbish and extend the property. This service has approached the bank that received A's funds for additional information. Whilst I am limited in what I can share, I note that S's bank had no concerns. I can also see payments that were in line with the nature of S's business. When looking at an account with numerous transactions it isn't always possible to identify exactly what each credit funded as Mr M has suggested. It's also worth noting that a builder may pay the accounts of individuals for labour and other expenses so if payments were made from S's account to individuals as Mr M says, this doesn't automatically mean S acted fraudulently.

At the time the payments were made S was registered on Companies House, having been incorporated in 2019. I appreciate that it has gone into liquidation and Mr M's points about unsecured creditor claims, tax obligations and lack of assets on liquidation – all of which indicate financial difficulties. Businesses can fail or be mismanaged such that agreements are breached and agreed services aren't provided but such scenarios aren't covered by the CRM Code. From the evidence Mr M has provided of exchanges between him and a representative of S, it would appear that the relationship deteriorated. S accused Mr M of owing money.

I note that there is an ongoing investigation by the police into S. I'm not persuaded that based on the fact there is an investigation I can fairly conclude it's more likely than not S took payments from A with fraudulent intent. If material new evidence comes to light at the conclusion of this investigation Mr M may ask Lloyds to reconsider his claim.

Mr M has said that the investigator failed to properly consider independent evidence from a court appointed liquidator. In a progress report in October 2025 the liquidator noted that extensive investigations had been undertaken into the company's financial affairs, including investigation of bank account activity, extraction and review of accounting data, and examination of lending arrangements and other relevant financial records. The liquidator said the work was necessary to understand the circumstances surrounding S's failure and to identify any transactions or misconduct that might give rise to recoverable claims. But the liquidator went on to say that it wasn't appropriate to provide any further detail, and the next step was to assess the viability of any potential claim. Mr M has highlighted what those potential claims might be. But the fact there are potential claims against S's directors is not enough to bring this claim within the scope of the CRM Code.

Mr M believes that Lloyds failed to intervene on out of character transactions. I need to be clear that I am only considering the payments from A's account in this complaint. Mr M is a separate legal entity to A and has brought another complaint about payments from his personal account.

Even if I think Lloyds ought reasonably to have intervened and spoken to Mr M about any of the payments made from A's account, I could only make an award if I think it's more likely than not that such intervention would have made a difference and prevented A's loss. In this case, S was a registered company and there was nothing in the public domain that might have suggested A was at risk of financial harm from fraud. So I don't think Lloyds would have had concerns or that Mr M would have decided not to make the payments.

Overall, whilst I'm sorry to hear S didn't meet Mr M's expectations and he has been put to additional expense, I can't fairly require Lloyds to reimburse A's loss.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 7 May 2026.

Jay Hadfield
Ombudsman