

The complaint

M, a limited company, complains that Lloyds Bank PLC ('Lloyds') won't refund the money they lost after falling victim to a scam.

Mr B, a director of M, brings the complaint on M's behalf.

What happened

In April 2024, Mr B was introduced to an investment by someone he worked with. The investment involved purchasing repossessed properties that were being sold by a company I'll refer to as X. Mr B was in contact with an individual at B, who I'll refer to as V.

In May 2024, Mr B was shown a property that he was interested in buying and he signed a sale and purchase agreement on half of M with X. Mr B was told that a separate company (that I'll refer to as W) were acting as escrow agents for X. So, Mr B made the following payments from M's Lloyds account to W.

Date	Details of transaction	Amount
21.5.2024	Payment to W	£5,000
21.5.2024	Payment to W	£5,000
22.5.2024	Payment to W	£55,000
23.5.2024	Payment to W	£55,000
24.5.2024	Payment to W	£55,000

After making the payments, Mr B was given keys to the property and a copy of the Transfer of Title (TR1) document which was sent to the Land Registry Office. Mr B had the property locks changed and engaged a builder to complete work to bring the property up to standard so it could be rented out.

V presented Mr B with another potential property purchase, which he was also interested in. After signing a sale and purchase agreement with X (on behalf of M), Mr B made the following payments from M's account.

Date	Details of transaction	Amount
28.5.2024	Payment to W	£10,000
7.6.2024	Payment to W	£100,000
7.6.2024	Payment to W	£25,000

Mr B received the keys to the second property on 9 June and he changed the locks.

Mr B decided to refinance the properties and asked V if the change of ownership (TR1) could be prioritised. V said this could be arranged for a further payment of £4,000. So, Mr B made two payments from M's account on 7 June 2024 and 10 June 2024, for £2,000 each.

When Mr B didn't receive confirmation of the change in ownership, he contacted the Land Registry office directly and was told that while they had the documentation, they hadn't received a request to expedite the transfer.

Ultimately, the title transfers were cancelled by the Land Registry office as the properties weren't owned by X. Mr B obtained the details of the registered owner and contacted them. The property owner told Mr B that V had rented a number of properties from them, but V didn't own the properties and didn't have any authority to sell them.

Ultimately, V was arrested by the police and convicted for selling properties that he didn't own and without the genuine owner's knowledge or permission.

Mr B reported the fraud to Lloyds and asked that they refund M. Lloyds declined to refund M saying the scam couldn't have been prevented if Mr B had instructed his own solicitor and not relied on the solicitor X said they were using. Lloyds said the payments didn't flag, so they didn't intervene when the payments were made, and they had been unsuccessful in trying to recover M's funds.

Mr B wasn't happy with Lloyds' response, so he brought a complaint to our service on M's behalf.

An investigator looked into M's complaint and upheld it. The investigator was satisfied that M's payments are covered by the Contingent Reimbursement Model Code (CRM Code) and that Lloyds can't rely on an exception to reimbursement, as Mr B had a reasonable basis for believing the property purchases were genuine.

Lloyds disagreed with the investigator's opinion but offered to refund 50% of M's loss. Lloyds declined to refund the remaining 50% saying:

- Mr B was an experienced property investor.
- Mr B was buying property from X but made a payment to W. He should've sought independent advice on the matter and not relied on V's explanation that W were acting as escrow agents.
- The purchase price of the property was 50% less than the market value, which should've concerned Mr B.
- It's unclear why Mr B made ten separate payments if the purchases were genuine.
- The scam would've been uncovered if Mr B had engaged an independent solicitor and proper title checks were completed before the payments were made.

Mr B rejected Lloyds' offer and asked for an ombudsman to review his 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.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

Is it fair for Lloyds to refund more than 50% under the CRM Code?

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that an exception applies. In this case Lloyds say Mr B made the payments without having a reasonable basis for believing that: *the payee was the person the customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate.*

Having carefully considered everything that Mr B has told us, I'm not satisfied that Lloyds can rely on the exception to reimbursement. I say this because I'm persuaded that Mr B had a reasonable basis for believing the property purchases were genuine, and I'll explain why.

Mr B was initially introduced to the investment by a coworker who told him that a family member had been dealing with repossessed properties for the last five to six years – through X. This added a sense of legitimacy to the investment as Mr B trusted the coworker.

Prior to agreeing to purchase the property, V took Mr B to see the properties and used the keys to allow Mr B access. V told Mr B that the properties were repossessed by a bank and that a bank employee was involved with X. Mr B looked up the individual that V said worked for the bank and found them online. The information online aligned with what V had told him about their role and their employment. I appreciate that there wasn't any evidence that showed this same individual was involved with X, but there wasn't anything to suggest to Mr B that he should doubt what V was telling him.

V provided Mr B with a sale and purchase agreement for both properties, as well as TR1 documents which appeared to be legitimate and showed that X owned the properties. These documents were signed by, and had a company seal from, a genuine solicitor firm. Mr B looked this firm up online and found they were a genuine solicitor and that the person who had signed on their behalf worked for them. There wasn't anything to suggest that this information wasn't genuine.

Also, while the property prices were significantly under market value, Mr B says the properties were run down and damaged – in line with what he expected of repossessed properties. He knew he would need to spend money to bring the properties up to a standard where they could be rented out. So, he wasn't concerned about the low purchase price.

Lloyds raised a concern that Mr B made his payments to W, not to X. However, when Mr B questioned this, V told him that W was acting as the escrow agent for X. There wasn't any indication that this wasn't true, and Mr B saw no reason to doubt this.

Lloyds say Mr B should've used an independent solicitor to verify the documents and the ownership of the property, however all of the information that Mr B had about X, W, V and the solicitor's firm they were using, suggested that they were legitimate companies involved in a legitimate property transaction. This was cemented when Mr B was handed the keys to the first property, was able to change the locks and a workman was engaged to start refurbishment of the property.

There wasn't any indication that this was all a scam. Especially as V actually lodged the TR1 documents with the genuine Land Registry office. The scam didn't come to light until July 2024 when Mr B became aware that the Land Registry had cancelled the transfer of the titles for the properties he had paid for. It's clear that this was a very sophisticated scam that relied on credibility provided by a personal referral from someone Mr B trusted and V providing documentation and paperwork which appeared to be legitimate.

I'm not satisfied that there were clear red flags that Mr B ignored or meant he should've completed additional checks on the parties involved before making the payments. I'm satisfied that all the information available to Mr B meant he had a reasonable basis for believing that the property purchases were legitimate.

As I'm not satisfied that Lloyds can rely on this exception to reimbursement, M is entitled to a full refund. And, as M have been deprived of the use of these funds, they're also entitled to interest on the refund.

Putting things right

To put things right I require Lloyds Bank PLC to:

- Refund M in full, being £314,000
- Pay 8% simple interest per year on the refund, calculated from the date Lloyds declined M's claim to the date of settlement.

My final decision

My final decision is that I uphold this complaint against Lloyds Bank PLC and require them to compensate M as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 12 May 2026.

Lisa Lowe
Ombudsman