

The complaint

A company, which I'll refer to as B, complains that Lloyds Bank PLC ('Lloyds') won't refund money they lost after falling victim to a scam.

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

What happened

In September 2022, Mr A was looking to purchase a caravan for a friend. He found a suitable caravan on an online marketplace and contacted the seller. Mr A asked questions about the price and the condition of the caravan. Mr A was asked to pay £500 to secure the sale and for the caravan to be held until the weekend when he would collect it.

Mr A's friend transferred £520 into B's account for the purchase of the caravan and Mr A transferred £500 from B's account to the seller. After making the payment he asked the seller for more pictures of the caravan and documentation so he could arrange insurance. When the seller didn't respond, Mr A realised he'd been the victim of a scam.

Mr A raised a fraud claim with Lloyds on B's behalf, asking them to refund the loss. Lloyds considered the claim but declined to refund B. They said that Mr A hadn't done sufficient checks to ensure that the caravan and the seller were genuine.

Mr A disagreed with Lloyds' opinion, so he brought a complaint to our service on B's behalf.

An investigator looked into B's complaint but didn't recommend that Lloyds should refund B. The investigator explained that as B was using another party's money to purchase the caravan for them – the loss belonged to the other party – B wasn't actually out of pocket. As part of B's complaint, they raised concerns about the procedures followed by the receiving bank in opening the scammer's account. The investigator explained that we can't consider this point under a complaint raised against Lloyds, but B could raise a separate complaint against the receiving bank.

Mr A disagreed with the investigator's opinion, saying:

- Lloyds should've started an investigation on the person who took their money and reported the fraud to the police.
- Lloyds should've investigated the receiving bank and their policy and procedures and sued them to get B's money back.

As the case couldn't be resolved, it was passed to me to review.

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 carefully considered everything, I've reached the same outcome as the investigator, and I'll explain why.

- The starting position is that Lloyds are expected to process payments and withdrawals that its customers authorise, in accordance with the Payment Service Regulations and the terms and conditions of the customer's account. So, when Lloyds made the payment, it was complying with Mr A's instructions made on behalf of B.
- While Lloyds are a signatory of the Lending Standards Boards Contingent Reimbursement Model Code (the CRM Code) which requires firms to reimburse customers who have been the victims of APP scams like this, in all but a limited number of circumstances – I'm not satisfied that I can fairly hold Lloyds liable under the CRM Code. I say this because Mr A was buying the caravan for a friend. Mr A's friend transferred £520 into B's account in order for Mr A to make the payment of £500 to the fraudster. This means that B hasn't suffered a financial loss as it wasn't their money that was sent onto the fraudster.
- Mr A's friend sent the money from a UK bank account and could raise a complaint with his own bank, as they are the party that suffered a financial loss as a result of the scam.
- It's worth noting that even if I did consider it was B's financial loss, it wouldn't change the overall outcome of this complaint as I still wouldn't recommend Lloyds should refund B. I say this because I wouldn't have expected Lloyds to identify a scam risk based on the characteristics of the payment, so they weren't required to give B an effective warning. Also, I can't see that Mr A took reasonable steps to check the legitimacy of the caravan prior to making the payment. He didn't ask for any documentation prior to payment or carry out any checks to establish that the seller owned the caravan. Although after making the payment when he asked for documentation, the seller stopped corresponding with him. As Mr A hadn't seen the caravan in person, I would've expected him to do at least basic checks prior to making the payment.
- From what I've seen Lloyds acted promptly on being made aware of the scam and contacted the receiving bank to try and recover B's money. However, no funds remained in the beneficiary's account by the time Mr A reported the scam. While I appreciate that Mr A feels Lloyds should've contacted the police and started an investigation into the fraudster who received the money – that isn't action that I would expect Lloyds to take. Lloyds are required to report the scam to the receiving bank so they can take appropriate action on their end – which Lloyds did. I would also expect Lloyds to co-operate if they were contacted by the police in relation to this matter, but it's for Mr A to raise the matter with the police and Action Fraud.
- Mr A has also raised concerns about the receiving bank's process and procedures in relation to the fraudster's account. But that would need to be addressed separately in a complaint raised against the receiving bank. I can't fairly hold Lloyds liable for the receiving bank's actions.

I appreciate that Mr A is going to be very disappointed in the outcome I've reached. However, as I'm not satisfied that B suffered a financial loss, I can't fairly ask Lloyds to refund them.

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 B to accept or reject my decision before 12 September 2023.

Lisa Lowe
Ombudsman