

The complaint

Miss E complains that Lloyds Bank PLC won't refund the money she lost when she was the victim of what she feels was a scam.

What happened

In May 2020, Miss E was planning her wedding and saw recommendations for an event planning company online. She checked multiple websites for reviews of the company, contacted them to ask for a quote and then paid a deposit to book them. Shortly before the date of the wedding, Miss E contacted the company again to confirm the services they were providing and paid the remaining balance. But unfortunately, on the day of the wedding, the company didn't provide the agreed services.

Miss E contacted the company again after the wedding and they apologised for not providing the services. But when Miss E asked for a refund, the company stopped responding to her. Miss E then reported the payments she had made to Lloyds as a scam and asked it to refund the money she had lost.

Lloyds investigated but said it felt the wedding planning company was a genuine company who had fallen into difficulties and that this was a civil dispute between Miss E and the company, rather than a scam. So it didn't agree to refund the money she had lost. Lloyds did pay Miss E £40 as compensation for incorrect information it gave her when it first responded to her claim though. Miss E wasn't satisfied with Lloyds' response, so referred a complaint to our service.

One of our investigators looked at the complaint. They thought it was most likely the company was genuine and hadn't set out with the intention to scam Miss E. So they didn't think Lloyds should be held responsible for the money Miss E had lost. Miss E disagreed with our investigator, so the complaint has been passed to me.

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 broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

Lloyds is a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This requires firms to reimburse customers who have been the victim of certain types of scams, in all but a limited number of circumstances. But customers are only covered by the code where they have been the victim of a scam – as defined in the code.

The CRM code says that it doesn't apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way or the customer is otherwise dissatisfied with the supplier. So in order to determine whether Lloyds should refund the money Miss E lost under the CRM code, I need to consider whether she has been the victim of a scam – or, in other words, whether the wedding planning company set out from the beginning with the intent to defraud her.

I've thought very carefully about this and I think it's a finely balanced matter in this case. But where the evidence available is unclear or inconclusive, I must make my decision on what I think is likely to have happened, based on the evidence I do have.

Miss E says she saw a number of recommendations for the company online and, at that time, the company's profile pages on several social media websites had significant numbers of followers and positive reviews. And I think it's unlikely a scammer would have been able to arrange these kinds of recommendation, followers and reviews.

The company was also listed on the government register of companies for a number of years before Miss E made the payments and appears to have filed the necessary accounts paperwork for a number of years, which I wouldn't necessarily expect a scammer to have done and I think suggests the company was trying to operate as a legitimate business.

The information we've received from the bank the remaining balance was paid to also shows the activity on the account the money was paid to was in line with what I'd expect from a legitimate business account.

Miss E has said that the company has been taken over by a new director and the name of the company had been changed before she paid the remaining balance. But while this might suggest the company wasn't operating as professionally or transparently as Miss E would have wanted, I don't think this necessarily means they intended to scam her.

I appreciate how Miss E feels about this case, and that she was left without services she had paid for at her wedding. But I must make a decision on what I think is most likely to have happened. And, based on the evidence I've seen, I think it's more likely the company here was attempting to operate as a legitimate business at the time and that other factors ultimately meant it was unable to provide the services it had agreed to. I don't think the company set out with the intent to defraud Miss E, or that she has been the victim of a scam here.

So I don't think the payments Miss E made to the wedding planning company are covered under the CRM code, or that Lloyds should be required to refund the money she lost.

I sympathise with the position Miss E has found herself in, and I'm in no way saying she did anything wrong or that she doesn't have a legitimate grievance against the wedding planning company. But I can only look at Lloyds' responsibilities and, for the reasons I've explained above, I don't think it would be fair to hold Lloyds responsible for the money she lost.

Lloyds has paid Miss E £40 for the incorrect information it gave her when it initially responded to her claim. And I think this offer is fair and reasonable in the circumstances.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 9 November 2023.

Alan Millward
Ombudsman