

The complaint

Mr A complains that Lloyds Bank PLC won't refund the money he lost when he was the victim of what he feels was a scam.

What happened

In early 2023, Mr A wanted to get some insulation removed from his property and found a roofing company online. The roofing company visited the property and provided a quote which Mr A agreed to, so they started the work. But the roofing company then told Mr A the roof of the property needed repairing, so Mr A agreed for them to carry out this work too. And Mr A made a number of payments from his Lloyds account to the roofing company, to pay for these works.

After the roofing company said the work was completed, Mr A checked it but wasn't satisfied it had been completed or done to a good standard. He then refused to make the final payment for the work, the relationship with the roofing company broke down and no further work was done. Mr A then reported the payments he had made to the roofing company to Lloyds as a scam and asked it to refund the money he had lost.

Lloyds investigated but said it felt this was a civil dispute between Mr A and the roofing company, rather than a scam. It contacted the bank the payments were made to, who also agreed it was a civil dispute. And so it didn't agree to refund the payments Mr A had made. Mr A wasn't satisfied with Lloyds' response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think the evidence suggested the roofing company intended to defraud Mr A from the outset. So they thought this was a civil dispute between him and the roofing company and didn't think Lloyds should have to refund the payments Mr A had made. Mr A 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.

Having done so, I don't think it would be fair to require Lloyds to refund the money Mr A has lost. I'll explain why below.

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 defines a scam as where a customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person. Or where the customer transferred funds to another person for what they believed were legitimate purposes but were in fact fraudulent.

The CRM code also 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 Mr A lost under the CRM code, I need to consider whether he has been the victim of a scam – or, in other words, whether Mr A was deceived about the purpose of the payments to the point where he and the roofing company intended different purposes for the payments and the roofing company set out from the beginning with the intent to defraud him.

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.

Mr A says he initially found the roofing company through an online directory for tradespeople, and he's sent us screenshots showing the profile and reviews for the company on this directory – as well as on several other directories. And while I appreciate there are some negative reviews for the company on these directories, there are also some positive reviews where people appear to have been satisfied with the work they had done. So I don't think these reviews suggest the roofing company always intended to scam Mr A.

The roofing company started the agreed work at Mr A's property. And from what Mr A has said, the company appears to have been doing enough work that he thought the work was progressing and agreed to make a number of later payments over the next several weeks. But I'd usually expect a scammer to do as little work as possible in order to get the maximum possible profit in the shortest period of time. So the roofing company here appears to have done more work than I'd expect from someone who never intended to complete the work.

The text messages Mr A has sent us between him and the roofing company also show the company thought the work was completed. The photos Mr A has sent us of the work appear to show that most of the work was completed, even if not necessarily to a good standard and the property was left untidy. And Mr A's letter of complaint to the roofing company says he feels he is entitled to a refund as the work was not of satisfactory quality, doesn't match the description and is not fit for purpose. So I think these suggest the circumstances here more closely resemble the works being defective or the customer being dissatisfied with a legitimate supplier, which the CRM specifically says it does not cover, rather than a scam.

The bank the payments were sent to has also told us it hasn't received any other scam reports against this account, it didn't have any concerns about it, and the account is still open. But scammers usually target a number of people at once, in order to make as much money as possible before the scam is uncovered. So I'd expect to see other scam reports to the same account around the same time if the roofing company was operating a scam. And I think the lack of other reports suggest the roofing company was at least attempting to operate as a legitimate business at the time.

Mr A has said the roofing company told him it was a member of a trade body, but he has now discovered it was not. He's also said the company started acting aggressively when the

relationship started to break down, and he's not been able to find them at the telephone numbers and addresses they gave him since. And I recognise that the roofing company may have misled Mr A about their membership of a trade body and acted unprofessionally. But I still think their intention was to do the work that had been agreed and that the payments were made for. So I still think Mr A and the roofing company's intended purpose for the payments were the same – to carry out the work. And so I don't think this deception and unprofessionalism by the roofing company meets the definition of a scam from the CRM code.

I appreciate how Mr A feels about this case, that he has had to pay for another builder to redo and complete the work. 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 roofing company here was attempting to operate as a legitimate business at the time and that other factors ultimately meant the work wasn't completed or wasn't done to the standard Mr A expected. I don't think the company set out from the beginning with the intent to defraud Mr A, or that he has been the victim of a scam here.

So I don't think the payments Mr A made to the roofing company are covered under the CRM code, or that Lloyds should be required to refund the money he lost.

I sympathise with the position Mr A has found himself in, and I'm in no way saying he did anything wrong or that he doesn't have a legitimate grievance against the roofing company. I also understand he has said he will find it difficult to pursue the roofing company directly. 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 he lost.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 February 2024.

Alan Millward
Ombudsman