

The complaint

Mr R is unhappy that Lloyds Bank PLC won't fully reimburse the money he lost as a result of a vehicle purchase scam.

What happened

The background to this complaint is well-known to both parties, so I won't repeat it all here. But briefly, Mr R fell victim to a vehicle purchase scam after contacting an individual on a social media marketplace site. The individual said he was selling a car for his brother. The individual gave Mr R an email address which he said was his brother's. The brother told Mr R he'd moved abroad and was using a transport company to sell the car. Mr R transferred £10,200 to what he believed was the transportation company. The car was not delivered and all contact with the scammer stopped. Mr R raised concerns with Lloyds.

Lloyds investigated Mr R's complaint and refunded 50% of the transaction along with £25 for failing to tell him it had made the refund. Mr R remained unhappy and referred his complaint to this service.

Our investigator did not uphold the complaint. He felt the refund made by Lloyds was fair as he didn't think Mr R had a reasonable basis for belief.

Mr R didn't agree. As the case couldn't be resolved informally – it's been passed to me for a decision.

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.

I'm sorry to hear Mr R was the victim of a scam and I can understand why he wants to do all he can to recover the money he has lost. He's lost a lot of money through no fault of his own. But that alone doesn't mean that Lloyds must reimburse him. It's important to emphasise that I'm only considering whether Lloyds, which had no involvement in the scam itself, should be held responsible for what happened.

The starting position at law is that banks and building societies are expected to process payments and withdrawals that their customers authorise them to make. Mr R made the payment himself. This means that it was an authorised payment, even though Mr R did not intend for this money to go to fraudsters.

The CRM Code

But Lloyds is a signatory of the Contingent Reimbursement Model (CRM) Code. The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances.

One exception is whether Mr R made the payment without a reasonable basis for believing that: the payee was the person he was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom Mr R transacted was legitimate.

There are further exceptions within the CRM Code, but they do not apply in this case.

Taking into account all of the circumstances of this case, including the characteristics of the customer and the complexity of the scam, I am persuaded the concerns Lloyds has raised about the legitimacy of the transaction Mr R was making are enough to support its position not to fully refund Mr R under the CRM Code for the payment he made.

Having thought about what both sides have said and provided, I consider Mr R did not have reasonable basis for believing the payment he was making was for genuine goods and that the person he was transacting with was a legitimate seller.

Did Mr R have a reasonable basis for belief?

I need to consider not just whether Mr R believed he was sending money for a car, but whether it was reasonable for him to do so.

I've thought about the steps Mr R took to reassure himself about the legitimacy of the transaction and whether it was reasonable for him to proceed with the payment. This is not a finding I have made lightly.

But the car Mr R wanted to purchase was advertised for sale at £10,200 including delivery to his address on the other side of the country. Our investigator obtained an indicative valuation of the car based on the exact model and age Mr R believed he was paying for. Those evaluations are based on prices at the same time as the scam ie February 2022 - and reflect the typical sale price from recognised industry trade guides.

But, even if I accept a seller might not achieve a price towards the top end of the estimated ranges - on balance, I'm persuaded that the price the vehicle was advertised for was too good to be true (almost half the value) and ought to have raised concerns in and of itself. The seller even said he'd include delivery.

Even with reasons, I think Mr R should have been much more sceptical about why an individual would be willing to sell this car for almost half its market value. This coupled with the fact Mr R was also unable to view the car, (and again I appreciate it was too far away to view and Mr R thought he was being given the opportunity to test the car out before final transfer of his funds was made to the seller) I would've expected Mr R to have been more wary of caution.

There were other signs things were not quite right here. The person selling the car on the social media site did not use a real name and perhaps more significantly they had no review or ratings as a seller. The "transportation company" asked Mr R to make a payment to a totally different named business. This ought reasonably to have caused concern.

Ultimately Mr R placed a lot of trust in a stranger. I consider that Mr R ought to have had greater concerns about the deal and that, in turn, ought to have led to a greater degree of scrutiny on his part. Buying a car without viewing it and at a considerable discount was always a big risk. I think Mr R should have done more than he did to question the arrangement before paying any money.

I've taken into account the information Mr R saw online, including emails and documents that had been fabricated by the fraudsters. But by not carrying out sufficient checks to independently verify the situation when the purported sale price was so far under the true value, I'm not persuaded Mr R had a reasonable basis for believing the payee was the person he was expecting to pay; that the payment was for genuine goods or services; or the person with whom Mr R transacted was legitimate.

Did Lloyds meet its obligations under the CRM code?

The CRM code says that, where firms identify scam risks, they should provide effective warnings to their customers. Lloyds refunded 50% of the money Mr R lost as it accepted it didn't meet its obligations under the CRM code to provide an effective warning. I have therefore not considered this point any further.

Did Lloyds do enough to recover Mr R's funds?

I've thought about whether Lloyds took reasonable steps to recover Mr R's funds once it was made aware, he was the victim of a scam. The scam payment was made on 8 February 2022. Mr R reported the scam to Lloyds on 14 February 2022. Lloyds contacted the receiving bank on 15 February 2022. The receiving bank confirmed that no funds remain and that funds were completely removed by 10 February 2022. Even if there was a slight delay in Lloyds contacting the receiving bank, I don't consider it would have made a difference as the funds had been removed before Mr R first notified Lloyds of the scam. This is not unusual as fraudsters usually remove funds within hours.

I realise my decision will be a significant disappointment to Mr R. I do accept he has fallen victim to what can only be described as a cruel and callous scam. I'm sorry he has lost money and I can understand why he would like to be compensated for all his losses. However, despite my natural sympathy for the situation he finds himself in ultimately, I don't think he had a reasonable basis for belief. It therefore follows that I don't think that Lloyds' refusal to fully reimburse Mr R for his losses was unfair or unreasonable.

My final decision

My final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 21 August 2023.

Kathryn Milne
Ombudsman