

The complaint

Mr and Mrs M are unhappy because The Co-operative Bank Plc did not fully refund the money they lost in a vehicle scam.

Mr and Mrs M are represented by their daughter in bringing this complaint. But for ease of reading, I'll refer to any submission and comments she has made as being made by Mr and Mrs M themselves.

Background

Both parties are aware of the circumstances of the complaint, so I won't repeat them all here. But briefly, both parties accept that in July 2021, Mr and Mrs M made a payment transfer of £5,500 for what they believed was the purchase and delivery of a caravan. Unfortunately the individual they'd been communicating with was actually a fraudster.

Mr and Mrs M had seen a caravan they liked on a social media sales platform. They've acknowledged the caravan was very reasonably priced, so contacted the seller for more information. The seller advised the price reflected that the caravan had been repossessed and bought at auction. The seller also advised that due to Covid and their remote location, they had instructed a delivery company to deliver the caravan on their behalf to a buyer. The seller provided identification to prove who they were and also details of the delivery company (which was a real delivery firm that the fraudsters had 'spoofed').

When contacting the spoofed delivery firm, Mr and Mrs M were required to also provide their own identification and create a login on the company's website. The firm told Mr and Mrs M that once delivery had been completed, they had a 14-day inspection period to decline the caravan and receive a full refund. Mr and Mrs M asked if they could pay by PayPal, but were advised by the firm that as they were solely a holding account for the inspection period, payments had to be made by transfer. Mr and Mrs M received purchase contracts, packing slips, receipts and invoices on headed paper. They've advised they couldn't find any reviews online for the company, but completed a HPI check on the caravan which reassured them it had no outstanding finance and that there were no other concerns with the vehicle. On this basis they agreed to the sale and sent the £5,500 as requested.

During the payment process The Co-operative has said it provided Mr and Mrs M with a purchase warning that stated:

'Have you checked that the product you are buying is real and the person or company is genuine?

How to stay safe

- *Pay directly on a trusted website with your credit or debit card where you can, instead of a bank transfer like this payment.*
- *Check for negative online reviews of the company or person you are buying from. They could be a warning sign.'*

When entering the account details for the delivery company, Mr and Mrs M also received a notification that stated:

'The name doesn't match the account number

Check that you have the right details

You might not get your money back if it's sent to the wrong account.'

Mr and Mrs M have explained they assumed this was due to the business name being slightly different on the account, which they're aware can happen. They advised they checked the details were correct again against the invoice - and then proceeded to pay.

When the caravan failed to be delivered as agreed, Mr and Mrs M realised they'd been the victim of a scam and contacted The Co-operative to make a claim.

The Co-operative is a signatory of the Lending Standards Board Contingent Reimbursement Model (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. The Co-operative says one or more of those exceptions applies in this case.

The Co-operative considers Mr and Mrs M didn't have a reasonable basis for believing they were making a legitimate purchase. It said Mr and Mrs M should've completed more checks to confirm the legitimacy of who they were paying. The Co-operative also considers it provided a warning specific to purchase scams during the payment journey. However, The Co-operative did acknowledge it could also have done more to protect Mr and Mrs M when making the payment, so provided a 50% refund for the funds lost to the scam. The Co-operative also awarded £200 compensation to apologise for the service Mr and Mrs M received during the investigation of the claim.

Mr and Mrs M feel they should be refunded in full and so have referred their complaint to us. An investigator looked into the complaint and thought it ought to be upheld, with The Co-operative providing a full refund. As The Co-operative didn't provide confirmation of whether they agreed with the investigator's findings, the complaint has been passed to me for a decision.

My findings

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 am satisfied that:

- Under the terms of the CRM Code, The Co-operative should have fully refunded the money Mr and Mrs M lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- In the circumstances The Co-operative should fairly and reasonably refund the money Mr and Mrs M lost.
- As money was loaned to Mr and Mrs M by family for the caravan, rather than being a loss incurred from their own account, I think The Co-operative should pay interest at the account rate, from the date Mr and Mrs M made the payment, until the date of settlement.

I have carefully considered The Co-operative's representations about whether Mr and Mrs M had a reasonable basis for believing the transaction to be genuine. But they do not persuade me to reach a different view. In particular I am not persuaded that Mr and Mrs M failed to

take the requisite level of care required for The Co-operative to choose not to reimburse under the terms of the CRM Code.

I accept this complaint is finely balanced, but taking everything into consideration in the particular circumstances of this complaint, including the characteristics of the customers and the complexity of the scam, I don't consider that The Co-operative has shown that Mr and Mrs M lacked a reasonable basis of belief when making the payment. I accept that the cost of the caravan was notably below the average cost for this make and model, but I've also considered that Mr and Mrs M did question this – and received, what I consider, to be a plausible reason for the reduced price.

I also accept that there were more checks Mr and Mrs M could've done – while Mr and Mrs M advised our service that they checked the delivery firm on Companies House and saw it was a legitimate, established firm, this wasn't mentioned initially to The Co-Operative when questioned. I think it's possible this check wasn't conducted until after the scam was uncovered, but even if this was the case, failure to undertake validating actions should not in itself lead to a decision not to reimburse – it's important a firm views a customer's actions in context of the overall circumstances. Had Mr and Mrs M conducted more checks on the delivery firm, I don't think they would've been concerned. The company was a legitimate firm and the fraudsters had spoofed details such as the address from Companies House, so even if Mr and Mrs M had checked, I don't think this would've raised red flags with Mr and Mrs M.

Mr and Mrs M were provided with a lot of persuasive information to convince them in the first instance that they were communicating with a genuine company – the paperwork was very credible, the checks they did conduct identified no concerns and the creation of login details and provision of the scammer's 'identification' all added to its legitimacy. In any event, when faced with potential 'red flags' such as requesting to pay by other means, Mr and Mrs M *did* question this and received answers that I think were fair for a person acting reasonably to accept as true.

The Co-operative has said it provided a warning during the payment journey and has questioned why Mr and Mrs M proceeded. However, I don't think there's any specific part of this warning that Mr and Mrs M failed to heed – they believed they had checked the legitimacy of the caravan by conducting a HPI check, had attempted to check the business in question's reviews online and found nothing untoward, and had asked to pay by PayPal and been given a valid reason why this wasn't possible. Considering the 'confirmation of payee' message provided to Mr and Mrs M, I also don't think this highlighted that Mr and Mrs M were at risk of falling victim to a scam, it only raised that Mr and Mrs M may have the wrong account details. I therefore think the steps Mr and Mrs M took to double check the account details were reasonable, given the warning they were presented with.

So in summary, I'm not persuaded that The Co-operative has shown that Mr and Mrs M lacked a reasonable basis of belief for making the transaction in question. The Co-operative should therefore refund the funds Mr and Mrs M lost to the fraudster.

My final decision

For the reasons I've explained, my final decision is that I uphold Mr and Mrs M's complaint against The Co-operative Bank Plc. I require The Co-operative Bank Plc to:

- Refund Mr and Mrs M the remaining £2,750 they lost to the scam
- Pay account interest, from the date Mr and Mrs M made the payment to the fraudster, to the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 27 September 2022.

Kirsty Upton
Ombudsman