

## **The complaint**

Miss E complains that Nationwide Building Society won't reimburse her after she fell victim to an investment scam.

Miss E is professionally represented but for ease of reading I'll refer to all submissions as made by Miss E directly.

## **What happened**

Miss E has explained that she was saving to purchase a home, and her long-term friend contacted her about an investment opportunity she was investing in. Miss E's friend put her in touch with an individual I'll refer to as 'R'. R set up an online meeting with Miss E, where she was talked through the investment. Other attendees of the meeting vouched for R and how they had made profits with her. R showed Miss E graphs of how the investment would work, although Miss E has acknowledged that, being new to investing, these didn't mean much to her by way of an explanation. R told Miss E that if she invested, her money would double within a month and that, as a worst case scenario, her initial investment was protected and would be returned.

Miss E considered the opportunity for around a month before deciding to make an investment. R tried to make Miss E invest more than she was comfortable with, but Miss E insisted she didn't want to send more than £7,000. R said she would accept this, as she knew of Miss E's circumstances and wanted to help her. R also explained how her background was similar to Miss E's which gave Miss E reassurance that R was genuine.

On this basis, Miss E agreed to invest £7,000 and sent these funds via faster payment to another named individual's account, who Miss E was led to believe held the cryptocurrency. Her understanding was that from this account, her funds were then moved onto an investment firm. Unfortunately, unbeknownst to Miss E at the time, R was in fact a fraudster, and those vouching for her in the meeting were also part of the scam.

After making the payment, Miss E was told that the platform being used to invest through had been hacked and user data had been lost. Miss E realised at this point that the payment made to R had been part of a scam.

Some members of the initial online meeting approached Miss E and told her they could help her get the money back that she had lost. One of these was Miss E's 'go-to' person during the scam, who had provided investment guidance to her (I'll refer to him herein as 'K'). Miss E therefore trusted K to help her. K told Miss E he could make her money back for her within six months, and double an investment of £3,600. Miss E has explained she was desperate to get her money back, so accepted his help.

Miss E has explained that K was in charge of her investment and had access to the accounts her money was transferred to. They met face to face a number of times and also had three-way calls with R. Under his guidance, Miss E made six payment transfers to an account she understood to be his, as well as four payments to an e-money account. Miss E

realised that K was also part of the scam when he stopped answering her calls and blocked her. Overall Miss K sent £11,357 in payment transfers as a result of the scam.

Realising she'd been scammed, Miss E contacted Nationwide to raise a claim. Nationwide looked into what had happened and considered its liability to refund Miss E. Nationwide 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. Nationwide says one or more of those exceptions applies in this case.

Nationwide has said Miss E didn't have a reasonable basis for believing she was making legitimate payments. It said Miss E trusted her friend's advice to invest, without completing any checks herself on the individuals or company she believed she was investing through. It said that Miss E never received any documentation for her investment, and while she was told she could double her investment within a month, she continued investing for several months without seeing any sort of return.

However, Nationwide also acknowledged it could have done more to protect Miss E from the scam. It said that when asked what the payment was for, Miss E selected 'family and friends', resulting in the warning she saw being insufficient to fully protect her. It therefore offered to refund her £5,676 which it considered to be 50% of her losses.

Miss E remained unhappy and referred her complaint to our service. An investigator considered the complaint and upheld it in part. He didn't think Miss E had a reasonable basis for believing the payments she made were legitimate. However, he thought that Nationwide's refund offer was £2.50 less than it should have been in order to be a 50% refund, and also should include 8% simple interest from the date of Miss E's losses.

Nationwide agreed with the investigator's view, but Miss E didn't. She considered that the payments she made towards the scam were unusual in nature and should have been questioned before allowing her to proceed.

As Miss E disagreed with the investigator's view, the complaint has been referred to me for a final 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.

Nationwide 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 authorised push payment (APP) scams in all but a limited number of circumstances.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that\*:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning
- The customer made payments without having a reasonable basis for believing that: the payee was the person the Customer was expecting to pay; the payment was for genuine goods or services; and/or the person or business with whom they transacted was legitimate

*\*Further exceptions outlined in the CRM Code do not apply to this case.*

Nationwide has already acknowledged it could've done more to protect Miss E from financial harm from fraud and has therefore refunded 50% of the payments she made. However, it also considers Miss E didn't have a reasonable basis for believing she was making legitimate payment transfers as part of the scam. Having considered the information provided by both Miss E and Nationwide, I think it is fair for Nationwide to have relied on this exception of the Code.

I appreciate Miss E had genuine intentions when making these payment transfers and was trying to secure a deposit for a home. However, I've also had to think about whether Miss E did enough to reasonably assure herself that she was paying towards a legitimate investment. Miss E has acknowledged that while she took around a month to decide to invest with R, she didn't conduct any checks on the firm she believed she was investing with, or R herself. I appreciate Miss E found R's online meeting reassuring, particularly seeing others in the meeting vouch for R, but I think Miss E could've done more to independently research who she was investing with, rather than relying on the evidence R was providing herself.

I don't doubt that Miss E also felt reassured that the investment was presented to her initially by a long-term friend. However, that friend hadn't yet received any returns from the fraudster either (and it later transpired that they were also scammed), so again there was no evidence of independent customers who had received returns from investing with R.

Miss E was told that she would double her money within around a month of investing and that should anything happen to her money, she was guaranteed a refund of her initial investment. I think this offer is simply too good to be true and ought to have alerted Miss E that something may be amiss.

Miss E has explained that by the time K offered to help, she was aware she had been scammed by R, but was desperate to get her money back. However, Miss E was introduced to K through R – and he had vouched for her previously. So I think Miss E ought to have proceeded with greater caution before believing that K could be trusted, particularly as it seems R was still being involved in their calls.

Overall, I think there were sufficient warning signs here that Miss E ought to have proceeded with greater caution from the outset – and I therefore think it's fair that she is held equally liable for her losses with Nationwide.

I appreciate Miss E's comments that the first payment she made was out of character and warranted further questioning by Nationwide. I agree with Miss E on this and think intervention by Nationwide was appropriate – and could potentially have stopped this scam from progressing. However, under the CRM Code the liability of both parties is taken into consideration when determining whether a customer should be refunded, either in part or in full. As I've determined that Miss E was also partly responsible for her losses, I think it's fair for this to be accounted for when determining what redress Nationwide should pay.

Lastly, I've considered whether Nationwide could've done more to recover Miss E's funds, once it was made aware of the scam. Miss E didn't contact Nationwide until over a month after she'd made the final scam payment to the fraudster. Therefore, while I think Nationwide could've acted slightly sooner than it did in trying to recover her funds from the recipient accounts, I don't think this would've made a difference to its prospects of succeeding in recovering funds. I say this as I think it's most likely that Miss E's funds would've been withdrawn from the recipient account before she had contacted Nationwide.

Overall, while I'm sorry to disappoint Miss E and wholly appreciate the upset this scam has caused her, I think both parties could reasonably have done more to prevent the scam from occurring, and I therefore think it's fair for liability for Miss E's losses to be shared equally between both parties.

### **My final decision**

My final decision is that I partially uphold Miss E's complaint and require Nationwide Building Society, if it hasn't already done so, to:

- Reimburse Miss E £2.50 in redress
- Apply 8% simple interest to all redress, from the date Miss E made each scam payment until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 17 July 2024.

Kirsty Upton  
**Ombudsman**