

## The complaint

Mrs N complains that Clydesdale Bank Plc trading as Virgin Money (Virgin Money) hasn't refunded her for money she lost to a scam in June 2023.

## What happened

Mrs N holds an account with Virgin Money. In 2023, she explains she was contacted through a messaging app with the offer of a freelance remote working job. She was told the job would pay £150 daily, or £3,000 for a month. This would mean working for around 90 minutes per day. She'd be involved in ranking products shown on the employer's app.

Mrs N was helped by the person who'd contacted her to set up an account with the supposed employer. She was also told to set up an account with a cryptocurrency exchange.

But soon she was told that her employment account had a negative balance. She was told she'd need to send funds to clear this negative balance. Clearing this balance would enable her to complete that day's tasks and ultimately receive her pay. Mrs N would need to purchase cryptocurrency. She'd send that onwards to cryptocurrency wallet addresses specified by the supposed employer.

Initially Mrs N purchased cryptocurrency using a credit card she holds with another bank. However, after a number of transactions, it appears that other bank blocked her from making further payments.

Mrs N then began to use her Virgin Money account to fund the payments to the employer. The payments made from this account were as set out in the following table.<sup>1</sup>

Number	Date	Credit	Debit	Payee
1	12/06/2023		£ 156.40	A
2	13/06/2023		£ 2,610	B
3	13/06/2023		£ 2,640	C
4	14/06/2023	£ 2,610		Payment reversal
5	15/06/2023		£ 790	D
6	15/06/2023		£ 900	E

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<sup>1</sup> This is based on what Mrs N has said and the account information provided by Virgin Money. The table does not reflect some attempted payments that were ultimately not processed or were cancelled. The dates reflect statement information and do not necessarily correspond with the time of the payment instruction or execution of the payment, but I do not consider the dates have any material impact on my determination of this complaint.

7	15/06/2023		£ 900	F
Overall loss from this account (net of reversed payment)				£ 5,386.40

Only payment (3) was made directly to a cryptocurrency exchange. The other payments were sent to multiple different payees.

These payments were made to various different payees because Mrs N says she was paying for peer-to-peer cryptocurrency purchases. The sellers appear to have provided the cryptocurrency Mrs N was paying for, but Mrs N was then sending this onward, as directed by the supposed employer.

Subsequently, Mrs N was told by the employer that a further negative balance had arisen on her employment account. She'd need to pay more to clear this. When Mrs N spoke to her brother about borrowing further to pay this amount and told him what was happening, he explained he thought she was being scammed.

Mrs N reported the scam to the police. She also reported what had happened to Virgin Money and her other bank. Virgin Money looked into the payments Mrs N had made. But it said it wasn't responsible for refunding the money Mrs N had lost to the scam.

Mrs N had authorised the payments — albeit in the belief at the time they were for a legitimate purpose. The accounts she'd paid were selling cryptocurrency and had provided the cryptocurrency she'd paid for. The loss had occurred when that cryptocurrency had been sent onwards to the wallet addresses Mrs N was told to use by the supposed employer. Virgin Money accepted it hadn't handled Mrs N's scam claim and subsequent complaint as well as it should have. It paid her £75 compensation for this.

Mrs N didn't accept this outcome. The other bank she'd sent payments from had refunded her in part for what she'd lost and was attempting to recover the remainder. The police had noted the sophistication of the scam she'd been the victim of. Mrs N referred her complaint about Virgin Money to the Financial Ombudsman Service for an impartial review.

Our Investigator looked into everything that had happened. He clarified with Mrs N the circumstances around the payments and which payments were involved in the scam. But the Investigator thought Virgin Money had treated Mrs N fairly. He explained that the voluntary reimbursement scheme (the Contingent Reimbursement Model Code) wouldn't apply to Mrs N's payments from her Virgin Money account because she'd been buying cryptocurrency to send on to the supposed employer.

He noted that Virgin Money blocked payment (3) in the table above (and other similar payments attempted by Mrs N around the same time). Mrs N had to call Virgin Money to discuss the payments before the bank would release them.

Unfortunately, the scammers had encouraged Mrs N to disguise what was happening. As a result, she hadn't answered Virgin Money's scam prevention questions accurately. The Investigator thought Virgin Money had been impeded from identifying the true scam risk and that Virgin Money couldn't reasonably have prevented these payments. He didn't think Virgin Money was at fault and so the bank didn't need to refund Mrs N.

Mrs N was disappointed with the Investigator's findings. I've therefore been asked to review her complaint afresh and reach 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.

I have considerable sympathy for Mrs N and what has happened to her. She was the victim of a cruel and cynical scam. This was a crime, and Mrs N is the innocent victim, losing a significant sum of money. She has detailed the considerable impact the crime had on her then and subsequently.

I am truly sorry to hear about what happened to her here. I do not underestimate the effect this will have had on her. I have taken everything she's explained into account.

Mrs N paid money in the expectation of this enabling her to earn an income, but in reality, this was a scheme designed to obtain as much money from her as possible. The only funds she received back were small in comparison to the amount she ultimately sent.

However, while I have natural sympathy for Mrs N in what happened, I have to recognise that the principal cause of her losses here were the criminal scammers.

I cannot hold Virgin Money liable for these financial losses, unless I find Virgin Money was somehow at fault in what happened, and that the loss was a direct consequence of that fault.

And in broad terms, as a starting point in law, Virgin Money has an obligation to carry out payment instructions given to it by its customers. In short, a customer will normally be presumed liable for payments they instruct their bank to make on their behalf.

Some reimbursement schemes exist to provide additional protection to customers from the financial impact of scams; however, these don't apply to all scam payments. Mrs N's payments aren't covered by the Lending Standards Board's Contingent Reimbursement Model Code (the CRM Code). The CRM Code has no application to payments made for the purchase of cryptocurrency through peer-to-peer transfers or where funds are used to credit the customer's own account. Neither do the PSR's recently introduced reimbursement rules apply in those situations (nor, in any event are those new rules retrospective).

However, all that being said, this is not the end of the matter. As a matter of good industry practice, I consider it is fair and reasonable to expect Virgin Money to have been on the look-out for the possibility of harm through fraud, and further, to have taken additional steps or made additional checks, before processing payments in some circumstances.

Where a payment, or series of payments, was significantly out of character or unusual for an account, or where there were other features that might have prompted concerns of fraud or a scam, that means I'd expect Virgin Money to have intervened in a proportionate way to establish more information about the circumstances.

The first payment Mrs N made from her account with Virgin Money was not a remarkable payment in the context of her normal account usage. While the payment was being made to a new payee, the value wasn't significantly above that of other payments she'd made before (based on her previous account history).

Payment (3), the sum of £2,640 to a cryptocurrency exchange, did prompt an intervention by Virgin Money. It delayed processing Mrs N's instructions until it could speak to her about the purpose of the payment (and other payment attempts made by Mrs N when this one had failed).

Mrs N called and spoke to Virgin Money. The bank confirmed the details of the transactions and Mrs N confirmed she'd intended to make these, and that she'd been the one who'd given the payment instructions.

The bank explained that it had held the attempted payments for additional security checks. It had been seeing a high volume of fraud and scams recently and so it needed to ask her some questions about the payment instructions she'd given.

Mrs N was asked if anyone had advised her about how to respond or guided her on how to answer if the bank was to query the payments. She said no.

She was then asked what the purpose of the payments were. Mrs N said they were for cryptocurrency, that she was investing in it. A series of further questions related to cryptocurrency investment scams followed, with Mrs N saying she'd invested before and had checked the FCA register.

The next question was one the bank said it knew that genuine companies would not ask someone to do, which was whether someone had asked her to make additional payments to release funds in her wallet or anything similar. Mrs N again said no.

The bank reiterated that it was seeing a lot of scams where customers are making payments for returns but which turn out to be a scam.

Mrs N confirmed she was happy to release one of the payments (the others being payments she'd only attempted when the first had failed).

Unfortunately, from almost the outset of the scam, the scammers Mrs N had been interacting with had been instructing her about what she should say to her bank if it asked about the payments she was making. A significant portion of that chat discussion had related to how she could avoid her banks blocking transactions.

With that in mind I understand why Mrs N answered Virgin Money's questions in the way she did (and why she similarly answered the questions her other bank had asked previously). The principal scammer Mrs N had been interacting with (by that point for over a week) gave her a cover story to use about buying cryptocurrency from a trusted exchange. She should say it was a trusted website, that she knew what she was doing and was making investments, etc.

This was the cover story Mrs N deployed when Virgin Money spoke to her about the payments she was attempting to make on 13 June.

Ultimately the story Mrs N used was, on the face of it, consistent with the type of payment she was making. But it hid the true situation - that she was being led to make payments for an online job and that her supposed employer had been demanding steadily increasing sums to let her continue working, and to release her earnings. Had Mrs N said that to Virgin Money, the bank could have explained that was almost certainly a scam (as her brother had done when she confided in him). But the answers she gave to the bank disguised this.

If it had been clear that Mrs N was using a cover story, again I might have expected Virgin Money would have uncovered this, and perhaps to get Mrs N to reveal what was actually happening. However, Mrs N was relatively clear and consistent in the answers she gave. She sounded very calm and confident throughout. I've seen nothing that I think would have stood out to Virgin Money at the time as being a sign that Mrs N might not be giving the correct answers or might be using a cover story or being otherwise coached about what to say.

It is possible that Virgin Money could have done more in this call to explain the risks of cryptocurrency related scams to Mrs N. However, I think what it did was proportionate to the level of risk it could perceive given the payments being attempted and what Mrs N was telling it.

And I'm conscious that by this point, Mrs N had already been told at some length about the risk of cryptocurrency scams by her other bank when it had similarly intervened in a payment. With the answers Mrs N gave both banks making them believe she was investing and so potentially facing a cryptocurrency investment risk, the warnings and follow-on questions both banks asked were understandably specific to that type of scam risk.

For the later payments (5) to (7), she'd been told to say these were going to a friend or family member – and these are the payment reasons she selected. The scammers had told her to keep the story simple to avoid the bank becoming suspicious.

None of these later payments from Virgin Money were for amounts over £1,000. They went to three different payees (three seemingly unconnected individuals selling cryptocurrency). The scammers and Mrs N had discussed in the chat keeping the payments smaller to avoid the bank's fraud detection systems. Mrs N had also noted that it was best to pay for cryptocurrency through peer-to-peer purchases such as this because it seemed Virgin Money was less likely to block a payment to an individual than to a business (such as one of the cryptocurrency exchanges).

As a consequence, payments (5) to (7) were not detected and blocked by Virgin Money. I don't think Virgin Money was at fault here. Unfortunately, it was simply the case that the scammer had tricked Mrs N into making the payments in such a way that it wouldn't have aroused the bank's concerns.

Even if Virgin Money had stepped in again, it seems likely to me that the interaction would have been along similar lines to those Mrs N had previously had with her other bank and with Virgin Money (with Mrs N using a cover story to deflect any concerns about the payments, based on what she'd been encouraged to say by the scammers).

Unfortunately, I think the same would have applied had Virgin Money intervened in payments (1) or (2) - although I do not think the bank needed to intervene at either of those earlier points.

When Mrs N reported the scam, Virgin Money attempted to recover her funds. Unfortunately, the nature of the transactions she'd made were such that the funds had been utilised in the purchase or transfer of cryptocurrency almost immediately. So, there was no reasonable prospect of recovery being possible by the time the scam was reported, and Virgin Money's efforts were correspondingly unsuccessful.

In short, I don't think Virgin Money could reasonably have prevented the payments Mrs N made to this scam through a proportionate intervention. I don't find it was at fault or that it is liable to reimburse her for the resultant losses she has incurred.

Mrs N has explained about the impact of the scam on her. Of course, the majority of the impact of this crime on Mrs N resulted from the criminal scammers who cruelly deceived her. I have no power to make an award for the impact of that crime, I do not find Virgin Money could have reasonably prevented it. But I can consider the impact of Virgin Money's subsequent handling of Mrs N's claim and complaint.

Virgin Money has paid Mrs N £75 for what it accepts was poor customer service. I have reviewed what happened. In the circumstances I consider that is in line with the level of

award I would likely have made and is fair. I do not require Virgin Money to do more.

To reiterate, I am extremely sorry to hear about what happened to Mrs N. She has lost out to criminal scammers through no obvious fault of her own - save for giving them her trust. The scammers were extremely manipulative, and tricked Mrs N into giving an incorrect explanation of the payments to her bank. She has suffered hugely in consequence. But I do not find Virgin Money could reasonably have prevented her losses or could have recovered the funds she paid out. All considered, that means I can't fairly ask the bank to refund Mrs N for her losses.

### **My final decision**

For the reasons set out above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs N to accept or reject my decision before 18 April 2025.

Stephen Dickie  
**Ombudsman**