

The complaint

Mr N complains that Al Rayan Bank PLC ('Al Rayan') won't reimburse the funds he lost when he says he was the victim of two scams.

What happened

Mr N says that between 1 May 2020 and 25 April 2022 he made multiple payments adding up to over £268,000 to a company I'll refer to as 'A' in my decision. A was a peer-to-peer lending platform which Mr N says assured him his money would be used for one to five year secured loans. Mr N says he was told that in the event of the default of any of the loans, the secured assets would be sold, and he would be reimbursed. This didn't happen and Mr N says that A is widely known to be a scam.

Mr N says that A began a voluntary wind-down in June 2022 and stopped taking on new business. Despite this, social media posts show directors of A living an extravagant lifestyle and that the director of A who enticed Mr N to invest was a close friend of at least one borrower who hasn't returned his money.

On 11 May 2020 Mr N transferred £4,500 to a company I'll call H, which also operated a peer-to-peer lending platform. In February 2021 H went into administration with 100% of its loans in default. Mr N says H was also operating a scam, and that one of its directors is suspected of taking a loan which breached the company's credit policy.

Mr N complained to Al Rayan in December 2023 through his legal representative. He said Al Rayan didn't do enough to protect him when he made payments to A and H and should reimburse his full loss plus interest and compensation of £1,000.

Al Rayan didn't agree to reimburse Mr N. It said that there was nothing to suggest A or H were acting fraudulently. Both companies were FCA registered and had gone into liquidation.

Mr N was unhappy with Al Rayan's decision not to reimburse him and brought a complaint to this service.

Our investigation so far

The investigator who considered this complaint didn't recommend that it be upheld. He said that it wasn't clear if Mr N was the victim of a scam but, even if he was, he didn't think the transactions he made were so unusual and out of character that Al Rayan ought reasonably to have intervened. In any event, intervention wouldn't have made a difference – both companies were registered on Companies House, were FCA authorised and there was no adverse information about them when payments were made. And, given that Mr N reported the matter to Al Rayan after both companies went into administration, there was nothing it could do to recover their funds.

Mr N didn't agree with the investigator's findings. In summary, he said that both companies operated scams as the "securities/collaterals/personal guarantees" that he was told about and are in contractual terms did not exist or have not been enforced after many years.

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.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – in other words on what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

I appreciate that Mr N hasn't received what he expected but this doesn't mean that A or H were operating scams, or that Al Rayan is responsible for his loss. I'm not persuaded that the evidence he has provided demonstrates that A and H were acting fraudulently, and I note that he received multiple credits from A. But, even if they were, I would still not be asking Al Rayan to reimburse him and will explain why.

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. But there are circumstances when it might be fair and reasonable for a firm to reimburse a customer even when they have authorised a payment.

Taking into account the law, regulations, guidance, standards, codes, and industry practice I have referred to above, Al Rayan should have been on the look-out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things) though. And, in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment.

Mr N made multiple high value transactions before the payments to A and H. For example, in April 2020 there were many payments of £20,000 and one just below this figure, as well as payments of around £10,000.

In the circumstances, I'm not persuaded the transactions stood out as so unusual and out of character that Al Rayan ought reasonably to have intervened. But I note that in May 2020 Al Rayan spoke to Mr N about his payments to A. He confirmed that he was investing, and Al Rayan noted A was FCA regulated and based in the UK. Given these factors, and the fact there was nothing in the public domain at the time to suggest Al Rayan should have been concerned that Mr N might be falling victim to a scam, I consider it acted reasonably in processing the payments.

Mr N's representative has said Al Rayan should pay him £1,000 compensation but hasn't referred to any service failings. I can't see that Al Rayan has caused additional unnecessary stress or inconvenience and am not making an award.

I'm very sorry to disappoint Mr N, as I know he has lost a significant amount of money. But I'm not satisfied that I can fairly ask Al Rayan to refund him.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 6 May 2025.

Jay Hadfield
Ombudsman