

The complaint

Mrs M complains that National Westminster Bank Plc (“NatWest”) did not refund a series of payments she says she lost to a scam.

What happened

Mrs M says she has been the victim of a scam after she lent money to her neighbours who I will refer to as ‘Mr X’ and ‘Mrs X’ for the purposes of this decision. Mr and Mrs X moved next door to Mrs M in August 2021. In that time, Mrs M became particularly close with Mrs X; they went for coffee and walks together, Mrs M looked after their dog, and she introduced them to her social circle. Mrs M says that Mr and Mrs X appeared to be affluent as Mr X had his own business, they came from a nice area with a large house and they had new cars outside their house. So, she had no reason to think they were in financial distress.

In August 2022, following a group dinner with all parties, Mr X approached Mrs M and said their bank account had been temporarily suspended and they needed funds to survive. Following this, Mr and Mrs X said they needed to borrow further funds for a number of reasons such as lawyer fees, covering their rent and travel expenses for work as well as vet bills. Mrs M also lent Mr X her credit card along with the personal identification number (“PIN”) to use for travel expenses. I won’t list out the individual transactions here, but between August 2022 to May 2023 the transfers totalled £36,500 and the credit card transactions totalled £1,763.04 and Mrs M also says she gave Mr X £6,000 in cash which was the proceeds from her selling her jewellery.

Mrs M asked for her money to be returned, but Mr and Mrs X explained they were unable to until their accounts were unfrozen, and both their business and a property abroad was sold. Eventually, Mr and Mrs X accused Mrs M of harassing them and between August 2023 and March 2024, Mrs M was arrested five times because of this.

Mrs M raised a scam claim with NatWest and they provided a final response in January 2024. In this, they explained that they could not consider the transactions under the Lending Standards Board’s Contingent Reimbursement Model (“CRM”) Code, as they did not think they met the definition of an authorised push payment (“APP”) scam. This was because Mrs M had given money to someone that she had an existing relationship with, so they deemed it to be a civil dispute and not a scam.

Mrs M referred the complaint to our service and our Investigator looked into it. On balance, they did not think there was enough evidence to be satisfied Mr and Mrs X did not use the funds as intended or that they were obtained under dishonest deception. And as Mrs M gave Mr X her credit card and PIN details, she had given her apparent authority for the payments to be debited from her account. So, they did not agree that NatWest needed to reimburse Mrs M in the circumstances.

Mrs M disagreed with the findings. In summary, she felt the initial payment of £8,000 should have been stopped for additional checks by NatWest. And she did not agree that if this had happened, she would have told NatWest she was lending money to a friend as she was actually paying a neighbour who defrauded her.

As an informal agreement could not be reached, the complaint has been passed 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.

It isn't in dispute that Mrs M authorised the payments in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that she's liable for the transactions. But she says that she has been the victim of an APP scam.

NatWest has signed up to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances). But the CRM Code only applies if the definition of an APP scam, as set out in it, is met. I have set this definition out below:

...a transfer of funds executed across Faster Payments...where:

- (i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.*

I've therefore considered whether the payments Mrs M made to Mr and Mrs X fall under the scope of an APP scam as set out above. Having done so, I don't agree that they do. I'll explain why in more detail.

Firstly, I want to thank Mrs M for the detailed information she has provided to our service and for sharing the details of what happened. And I'm sorry to hear of the difficulties she has faced with Mr and Mrs X. This is clearly a complex and sensitive situation and I've carefully considered everything available to me to come to an outcome I feel is fair.

Looking at the definition of an APP scam above, regarding the first bullet point, I'm satisfied the payments in question did go to the individuals Mrs M intended, in this case Mr and Mrs X.

The second bullet point is more complicated, and I am aware of Mrs M's strength of feeling that Mr and Mrs X took her funds for fraudulent purposes. Ultimately, I need to consider if her intended purpose for the payments was legitimate, whether the intended purposes of her and Mr and Mrs X were broadly aligned and, if not, whether this was the result of dishonest deception on the part of Mr and Mrs X.

While Mrs M has been able to provide a number of screenshots of conversations, as well as recordings of voice notes, there is not much available from the first few months that the transactions began. So, it is difficult to know what she understood the purpose of the initial payments to be, whether these were for general living expenses, outstanding debts or for costs relating to their affairs overseas. Without knowing what the agreement was for these earlier payments, it is therefore difficult for me to agree whether the payment purposes of Mrs M and Mr and Mrs X aligned.

We also do not know what the funds were actually used for. For one of the later payments, Mrs X said she needed money for a vet bill and does seem to have provided Mrs M with

evidence she had a vet appointment. And when Mrs M lent Mr X her credit card to use for travel costs for his new job (which I will discuss in more detail later) it does appear he used it partially for petrol and also at a mechanics, either purchasing bike parts or fixing a motorbike. While Mrs M said she did not expect him to spend it on anything other than travel expenses, the parameters of what was agreed are not clear, so it is difficult for me to agree Mr X broke the agreement or used dishonest deception to obtain Mrs M's funds.

It is also not possible to know if the reasons Mr and Mrs X gave as to why they needed funds in the first place are true. They said that their current account had been frozen meaning they had no access to their assets and they were waiting for the sale of a house abroad as well as the sale of Mr M's companies. However, Mrs M believes Mr X owed money for taxes and that he had debts relating to the businesses in his name.

Mrs M does have a text message from the property owner of the address listed on Mr X's business on Companies House. This appears to say Mr X left without paying the landlord rent for the space, and while this shows Mr X appears to owe other individuals money, I don't think this therefore proves the other reasons he gave for needing funds are untrue. And as there is nothing else to either prove or disprove what Mr and Mrs X have said, I cannot be satisfied they took Mrs M's money via dishonest deceit.

Overall, I think the most important factor here that I must place weight on is the clear breakdown in the relationship between the parties involved. Mrs M understandably grew frustrated with the lack of repayment and some of the texts provided show that the relationship grew tense between the parties. For example, Mr X asked Mrs M not to raise her voice and be aggressive, Mrs X appeared to become a recluse and said she had depression so did not want to speak with others, Mr and Mrs X began filming Mrs M whenever they had an interaction and most importantly, Mrs M was arrested five times due to alleged harassment towards Mr and Mrs X.

As mentioned earlier, this is clearly a sensitive and complex situation, and it is not my role to apportion blame here. But I can see that over time, the relationship between the parties involved broke down beyond repair and the situation became hostile. It is therefore difficult to know if Mr and Mrs X set out to defraud Mrs M from the outset, or if the lack of repayment has partially stemmed from the break down in the relationship. It is possible that Mr and Mrs X intended to repay Mrs M but they were unable to before the communication breakdown. Overall, from what I have seen, I do not think the high bar of a scam has been met in this case and I think NatWest acted reasonably when it treated it as a civil dispute.

Mrs M has said that NatWest should have stopped the earlier payments for further checks as they were unusual, and she feels this therefore could have revealed the scam. However, I don't agree with this assessment. Firstly, I can see there were two relatively high value payments made on Mrs M's account in the months leading up to the payments in question. These were for £5,000 and £5,701, with regular payments of £1,028 going out for what is most likely a mortgage. With this in mind, I think it could be argued that the initial payments were not particularly unusual in comparison to the genuine account activity. However, as there were a number of higher value payments to Mr and Mrs X over the course of a few months, I've considered whether an intervention from NatWest would likely have stopped further payments from being made.

On balance, I don't think probing questions from NatWest would have given them cause for concern. Mrs M had known Mr and Mrs X for a year by that point, they lived next door to her, and she had befriended Mrs X in particular. So, had NatWest asked if Mrs M was paying someone she knew, I think they would have been satisfied with her answer, even if she had just explained the money was a loan to her neighbour. In any event, as I have explained above that I think it is more likely this does not meet the definition of a scam, I do not think

NatWest would reasonably have had concerns about the payments had they intervened.

I have finally considered the credit card payments that were made by Mr X when Mrs M lent him her credit card to use for travel expenses for work. I appreciate that Mrs M says her understanding was he would only use the credit card to pay for petrol and other travel essentials, but he instead appears to have also used it to buy motorbike parts. As mentioned previously, it is not clear what the exact parameters of their agreement was.

Generally speaking, NatWest is able to hold Mrs M liable for the disputed transactions if the evidence suggests it's more likely than not that she made or otherwise authorised them herself. This position is confirmed in the Payment Service Regulations 2017 (PSRs) and the terms and conditions of the account.

As we know, Mrs M did not carry out the transactions herself, Mr X did. However, by giving Mr X her credit card and her PIN and agreeing that he can carry out some transactions, she has given him her apparent authority to carry out transactions on the credit card account. And as Mrs M did not rescind her authority until Mr X returned the credit card to her, that apparent authority extended to all of the payments he carried out during that time, even if they were outside of the agreement they made with each other. Because of this, NatWest has not made an error when it held Mrs M responsible for the transactions and did not agree to reimburse the credit card payments on the account.

I understand that this will be very disappointing for Mrs M, and I recognise that she has been put in a very difficult situation by Mr and Mrs X. But I do not consider that it would be fair to hold NatWest responsible for her loss, so I won't be asking it to refund any of that loss to her.

My final decision

I do not uphold Mrs M's complaint against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 10 March 2025.

Rebecca Norris
Ombudsman