

The complaint

Ms C complains that Barclays Bank UK PLC (Barclays) won't refund money she lost in an investment scam.

What happened

What Ms C says:

In 2018, Ms C was told about an investment by a family friend – who said they'd received good returns from it. She went to an 'investment event' organised by the directors of the firm (which I call 'firm A') and was impressed by the presentation.

She spoke to several investors who'd received a return on their investments. She made a payment to firm A from her Barclays account:

Date	Payment	Amount
10 August 2018	Faster payment	£10,000
Total		£10,000

Ms C was promised a quarterly return of 2.5%. She suspected it was a scam when nothing was received on the expected dates. Firm A was the subject of a Proposal to Strike Off in March 2024.

Through her advisors, Ms C said firm A had been found to have misled customers in marketing mini bonds.

Ms C says Barclays should have stopped the payment and asked her about it. She says she should've been protected by the bank - but wasn't. She says Barclays should refund the money, plus interest at 8% per annum and compensation of £1,000.

What Barclays said:

In April 2024, the bank said the Contingent Reimbursement Model Code (CRM Code) didn't apply as it came into effect in 2019. Ms C's payment to firm A wasn't out of character compared to the way she normally used her account, and so Barclays didn't need to intervene.

Barclays said Ms C hadn't carried out sufficient due diligence – she relied on word of mouth from her friend.

The bank noted that firm A had since gone into liquidation. Barclays didn't refund any money.

Our investigation so far:

Our investigator didn't uphold Ms C's complaint. She said:

- The payment wasn't out of character compared to Ms C's normal account activity. She noted other payments connected to investments - £25,000 in June 2018; £8,500 in February 2018; and £20,000 in March 2018.
- So, she said Barclays didn't need to intervene.
- But she said that even if Barclays had done so, it was unlikely the payment would have been prevented. Because:
 - o Firm A was registered at Companies House and there weren't any negative articles about it prior to the date of the payment.
 - o And Ms C had got a recommendation about firm A from a friend, who had received returns on her investment.

So it's likely she would have satisfied Barclays that the investment opportunity was genuine and the payment would've likely gone ahead.

- Our investigator said that when Ms C contacted Barclays in January 2024, the bank tried to recover the funds, but given that firm A entered proceedings to be struck off in 2024, this didn't have any chance of success. The recipient bank responded that there were no funds left to recover.

Ms C asked that an ombudsman look at her complaint, and so it has come to me.

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'm sorry to hear that Ms C has lost money. It's not in question that she authorised and consented to the payment in this case. So, she is presumed to be liable for the loss in the first instance.

So, 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. And I have taken that into account when deciding what is fair and reasonable in this case.

But that is not the end of the story. Taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Barclays should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter various risks, including anti-money laundering, countering the financing of terrorism, and preventing fraud and scams.
- Have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which banks are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

I need to decide whether Barclays acted fairly and reasonably in its dealings with Ms C when she made the payment, or whether it should have done more than it did. I have considered the position carefully.

The Lending Standards Board Contingent Reimbursement Model Code (CRM Code) provides for refunds in certain circumstances when a scam takes place. But – it doesn't apply in this case. That is because it came into effect in May 2019 – after the payment in question.

If the payment was of a sufficient size and were out of character with how Ms C normally used her account – then we would expect Barclays to have intervened and spoken to her about them. I looked at Ms C's account, and it's fair to say that the payment wasn't unusual compared to the way in which she used it. I can see similar, or larger payments made such as:

August 2017: £10,000.

February 2018: £8,500.

March 2018: £20,000; £6,000.

May 2018: £5,000; £6,296.

June 2018: £25,000.

So – I don't consider that Barclays needed to intervene in this case.

But I went in to consider what might have happened even if Barclays held the payment and contacted Ms C about it. And here, I'm satisfied that on the balance of probabilities, the payment would've likely been released in any case. I say that as I think it's likely Ms C would've told Barclays:

- She had been recommended to invest in firm A by a friend who'd received good returns.
- She'd attended a session run by firm A and was impressed – she was given brochures showing investments made by customers and the returns promised.
- Firm A was registered at Companies House – in October 2018.
- There were no warnings about firm A at the time.

Given this, I don't think it was likely that Barclays would've been able to warn Ms C that the investment might not prove to be what she thought.

It was only later that problems emerged with firm A – I can see there were warnings about it online later on, in 2021; and there was a Proposal to Strike it off in March 2024. So, Barclays couldn't have been reasonably aware that was to happen.

So, I don't consider Barclays can be held liable to refund the money to Ms C.

(continued)

Recovery:

We expect firms to quickly attempt to recover funds from recipient banks in situation like this. I looked at whether Barclays took the necessary steps in contacting the bank that received the funds – in an effort to recover the lost money.

I can see that Barclays contacted the recipient bank in January 2024, but no funds remained to be repaid. Given the passage of time and the fact that there was a Proposal to Strike off firm A - this wasn't a surprise.

I can only suggest that Ms C contacts the liquidators of firm A (if they are appointed) to lodge a claim.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 8 January 2025.

Martin Lord
Ombudsman