

Complaint

Mr W is unhappy that Bank of Scotland plc trading as Halifax didn't reimburse him after he fell victim to a scam.

Background

The background to this case is well known to the parties, so I don't intend to set it out in full here. But in summary, Mr W fell victim to an investment scam in October 2023.

He was looking for investment opportunities. He believed he was communicating with someone he knew well via a social messaging platform. Mr W knew this individual to have some expertise regarding investing in foreign exchange, so trusted him when he invited him to learn more about a new investment opportunity. Unfortunately, it subsequently transpired that a fraudster was impersonating Mr W's contact.

On 23 October 2023, Mr W used his account to make two payments of £1,000 and £2,000 respectively. Each payment was sent to a third-party cryptocurrency exchange. Those funds were then converted into cryptocurrency and transferred to a blockchain address controlled by the fraudster. Mr W did this in the belief that this was the way he could deposit funds into his trading account. Around a month later, he was told that, to access his earnings, he needed to pay fees. He therefore made three further payments. The total value of these payments was £1,772.22.

Once he realised he'd fallen victim to a scam, he notified Halifax via his professional representatives. It didn't agree to refund his losses. Mr W wasn't happy with that response and so he referred his complaint to this service. It was looked at by an Investigator who didn't uphold it. Mr W disagreed with the Investigator's view and so the complaint has been passed to me to consider and come to a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account. However, that isn't the end of the story. Good industry practice required that Halifax be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to make enquiries with the customer to satisfy itself that they weren't at risk of financial harm due to fraud.

It is now known with the benefit of hindsight that Mr W had been targeted by a fraudster. The question I must consider is whether that risk ought to have been apparent to Halifax at the time, given the information it had available. I know that this will be disappointing to him, but I'm not persuaded it would've had any reasonable grounds for stopping and questioning

these payments. Firms need to strike a balance between disrupting the payment process to protect customers from fraud and allowing legitimate activity to take place. The size of the payments is a relevant risk signifier and I think it would be impractical to expect Halifax to take a more interventionist approach in connection with payments of this value.

I don't say any of this to downplay or diminish what Mr W has been through. He's unquestionably the victim of a cruel scam and I have a great deal of sympathy for him. However, my role here is limited to looking at the actions and inactions of the bank and I'm satisfied it didn't do anything wrong in allowing these payments to be processed.

Final decision

For the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 4 October 2024.

James Kimmitt
Ombudsman