

## The complaint

Mr G complains that Nationwide Building Society won't refund the money he lost when he says he fell victim to a scam.

## What happened

Mr G says that he was persuaded to invest with a company I will refer to as 'H' in my decision. H was a private rental development company which offered loan notes to investors to raise money for various projects. Mr G says H told him he would receive a monthly return of 10% on his investment. H was the parent company of a group of companies. Mr G decided to invest and made two payments each of £10,000 on 5 and 7 August 2019.

H has gone into administration. Mr G believes the investment wasn't genuine and that he is the victim of a scam.

When Mr G complained to Nationwide in 2024, it would not agree to reimburse him under the Lending Standards Board's Contingent Reimbursement Model (CRM) Code. Nationwide said H was a legitimate company registered with Companies House. Nationwide said that at the time Mr G invested, there wasn't any negative information about H in the public domain so it had no reason to be suspicious of the payments.

## *Our investigation so far*

Our investigator didn't recommend that Mr G's complaint be upheld. Our investigator noted that Mr G also sent an earlier payment of £10,000 to H in April 2019 but that he hadn't mentioned this in his current complaint.

Our investigator thought that there was insufficient evidence to conclude that H didn't intend to provide the agreed investment or make the returns it set out. This meant that he couldn't ask Nationwide to consider Mr G's complaint under the CRM Code.

Mr G didn't agree with the investigation outcome and asked that his complaint be passed to an ombudsman to decide. Mr G didn't provide specific reasons why he disagreed with the investigation outcome. But his representative had already supplied a document detailing their view on the alleged scam, so I have summarised the key points from that document below:

- H and a group of 100 companies were operating a very sophisticated scam, taking money from individuals with no intention of providing the investment opportunity as advertised.
- Charges were registered for non-existent loans allowing H to later remove assets.
- From considering three of the projects which H completed, most of the money raised was not used for the stated purpose of property development.
- Subsidiary companies were sold at an undervalue.

- H manipulated group accounts to hide the fact that it was trading insolvent.
- The liquidator for one of H's group of companies found a concealed bank account which Mr G says is indicative of a scam.
- Directors of H removed assets from the group of companies.

**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 am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

Whilst I have considered all points raised by Mr G, I will not comment specifically on each one.

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

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.

Nationwide is a signatory to the CRM Code. Under this code, the starting principle is that a firm should reimburse a customer who is the victim of an authorised push payment (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 considered whether Mr G's claim falls within the scope of the CRM Code, which defines an APP scam as:

...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.

It is for Mr G to demonstrate that he is the victim of an APP scam.

To decide whether Mr G is the victim of an APP scam as defined in the CRM Code I have considered:

- The purpose of the payments and whether Mr G thought this purpose was legitimate.
- The purpose the recipient (H) had in mind at the time of the payments, and whether this broadly aligned with what Mr G understood to have been the purpose of the payments.
- Whether there was a significant difference in these purposes, and if so, whether it could be said this was as a result of dishonest deception.

Mr G thought he was investing in a property development company. I haven't seen anything to suggest that he didn't consider this to be a legitimate purpose.

In reaching an answer on what purpose H had in mind, I've considered the wider circumstances surrounding H and any linked businesses.

H completed three different development projects. H also worked on other developments which it then sold to developers. The completion of three development projects is strongly indicative of a legitimate business conducting the activities I would expect of it.

I appreciate that Mr G believes H completed these developments to give the appearance of legitimacy and to draw in investors. But no persuasive evidence has been put forward to make me believe this is the more likely scenario.

It's clear from Mr G's own submissions that a substantial amount of money was spent on the acquisition of property. Whilst the assumption has been made that the remaining funds provided by investors have been used inappropriately, there is currently no reliable evidence to show that this was the case. In the absence of evidence to show how the remaining funds were used, I consider it just as likely that funds were used for their intended purposes.

The points raised by Mr G are largely based on assumptions and while they may indicate poor business and financial management, this doesn't go far enough to bring his claim within the scope of the CRM Code. Whilst H may have misrepresented certain information, failed to cooperate with administrators, not filed accounts and withdrawn assets, there is currently no evidence to say this was done with the intention of scamming investors. A lot of adverse inferences have been drawn here.

I've not seen anything from the administrators of the company to suggest H was operating a scam or that the transactions conducted by H and its' connected companies were done with any intention other than putting investors' funds towards development projects. I also haven't been provided with evidence following an investigation by any other external organisation which concludes that H intended to use Mr G's funds for a different purpose.

Having carefully considered all the evidence provided to me, I'm not persuaded there is sufficient evidence to conclude that the purpose H had in mind when it took Mr G's payment was different to his. So, I consider Nationwide acted fairly in not considering Mr G's complaint under the CRM Code.

I am also not persuaded that Nationwide should have had any concerns or that the payments would not have been made if it had intervened. H was a legitimate company that was paying returns to investors. There was nothing in the public domain to suggest Nationwide should have been concerned that Mr G might be falling victim to a scam. And many of the concerns identified by Mr G became known after he made the payments. So, I don't consider that even if the payments he made were unusual, an intervention by Nationwide would have made a difference.

If material new evidence emerges at a later date, Mr G can ask Nationwide to reconsider his fraud claim.

I'm really sorry to disappoint Mr G, as I know he has lost a significant amount of money. But I'm not satisfied that I can fairly ask Nationwide to refund him based on the evidence that is currently available.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 12 May 2025.

Gemma Bowen  
**Ombudsman**