

The complaint

C complains that Santander UK Plc did not reimburse the £30,000 it says it lost to a scam.

What happened

C found an investment opportunity with a company I'll refer to as 'HS' for the purposes of this decision. HS had several different building projects they were providing investments for in the form of loan notes. C agreed to take out a loan note and made a transfer of £30,000 on 14 December 2018. It says it received £2,000 in returns, but no more.

C felt it had been the victim of an investment scam and that HS set out to defraud it. C raised a scam claim with Santander in January 2024, who felt it was more likely this was a civil dispute between C and HS, rather than a scam, and they didn't agree to reimburse it. As a result, C referred the complaint to our service.

Our Investigator looked into the complaint and assessed it under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. Overall, they did not think the investment met the high bar of a scam, and instead felt this was a civil dispute between C and HS, so they did not think Santander needed to reimburse C.

C's representatives disagreed and provided a significant amount of information in response to the view. The case was passed to me, and I issued a provisional decision explaining the payment of £30,000 was not covered by the CRM Code, but I still did not think Santander needed to reimburse C.

My provisional decision read as follows:

I've firstly considered whether this payment is covered by the CRM Code and having done so, I can't agree that it is. The CRM Code came into force on 28 May 2019, and it was not retrospective. Meaning C's payment of £30,000 to HS on 15 December 2018 is not covered by the CRM Code.

It isn't in dispute that C authorised the payment in question. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that it is liable for the transaction. But it says that it has been the victim of an authorised push payment (APP) scam.

I've therefore considered the payment of £30,000 and whether Santander should reasonably have flagged it for additional checks. I can see that C's account was a business account, with a relatively significant balance prior to the payment in question being made. Due to the time that has passed it is not clear what checks, if any, were carried out. To be fair to C, I have therefore considered whether an intervention would have prevented the payment from being made.

C's representative has not provided me with any paperwork that C was provided when it took out the loan note, so I do not know the specifics of what it was investing in. And they have not told me how C came across this opportunity. I can see that HS was active on Companies

House and had been for many years, and the general brochures C's representative has provided appeared professional. So I see no reason why C would have had concerns about the investment opportunity initially.

I've seen evidence that three building projects were completed by HS. They had other projects ongoing, however these had to be sold to other developers after they entered into financial difficulty. One of these began construction in 2018, and was completed in 2020, so would have been underway when C made its investment. On balance, I think this shows HS was a legitimate company involved in genuine building projects, so I think it is unlikely that either C or Santander would have had concerns in 2018 that HS were not a legitimate company with a real investment opportunity. With this in mind, I think it's unlikely any possible intervention would have prevented C from making the payment to HS.

I therefore think Santander acted reasonably when it treated this investment as a civil dispute and did not agree to reimburse C. So, I do not currently think they need to take any further steps to remedy this complaint.

Santander responded to my provisional decision and accepted the findings.

C responded and did not agree with my provisional findings. They felt there were numerous cash flow issues with HS and its subsidiaries, with one company going into administration shortly after C invested. They did not think there was an explanation of how C's funds were allocated and if they were used to fund another part of the business. They noted that the HS's insolvency practitioners had identified over 4,000 inter-company withdrawals which they felt led to high levels of uncertainty.

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 doing so, I have carefully considered the additional comments made by C. While I appreciate a subsidiary of HS became insolvent after C invested in them, I have to consider that this is just one company within a group of many, and it does not therefore mean HS was acting fraudulently or did not use C's funds for their intended purpose.

I can understand C's concerns about the transactions looked at by the insolvency practitioner and that its funds were not used as intended. However, I have seen no evidence that suggests this was the case. While I appreciate HS may have made a high number of transactions and filed incorrect or late accounts, there is currently no evidence to say this was done with the intention of hiding funds or scamming investors.

With the above in mind, I see no reason to deviate from the findings set out in my provisional decision. So, for the reasons set out above, I think it was fair and reasonable for Santander to treat this as a civil dispute and I therefore do not direct it to take further action on this complaint.

My final decision

I do not uphold C's complaint against Santander UK Plc.

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

Rebecca Norris
Ombudsman