

The complaint

Ms B has complained that North Edinburgh and Castle Credit Union Limited trading as Castle Community Bank (Castle) are holding her liable for a loan that she did not take out.

What happened

Ms B said she fell victim to a scam after expressing an interest in an investment opportunity she found on social media.

On registering, she was introduced to someone who assisted with the process of enrolling her onto a trading platform. Ms B mentions she initially invested £200 and saw her money increase in value. She then went on to download the any desk app on her phone and shared a security code that she received with the third party, so allowing them access to her phone going forward.

Ms B clarified she also shared a copy of her driving licence, bank account details and other personal information with the third party.

Ms B states she was told a pre-approved loan was being applied for the purpose of investing on the platform, but that it wouldn't impact her credit score and that it would go into the investment and come out. A loan was applied for with Castle for £10,000 on 7 May 2024 and the proceeds were paid into her existing bank account before being moved on.

Ms B raised concerns with Castle on 24 May when she realised what had happened and that she had been scammed.

After looking into the matter, Castle held Ms B liable for the loan as it felt that Ms B was complicit in sharing details with the third party and allowing them access to any desk.

Ms B has brought her complaint against Castle to this service along with other complaints, including one relating to a loan application with another provider that also took place around the same time. Ms B states it was also made by the same third-party.

Our investigator considered Ms B's complaint against Castle but did not uphold. She was of the view that Ms B was aware of the loan as the proceeds were paid into her bank account before being passed on, and that she had allowed the third-party access to her phone by divulging the security code.

As Ms B remained unhappy with the outcome, she asked that an ombudsman consider her complaint.

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's important to highlight that with cases like this I can't know for certain what has happened. So, I need to weigh up the evidence available and make my decision on the balance of probabilities – in other words what I think is more likely than not to have happened in the circumstances.

Having done so, I've reached the same outcome as our investigator for broadly the same reasons, in that it is reasonable for Castle to pursue Ms B for the loan.

I realise this will be upsetting for Ms B to hear, and I don't doubt that Ms B fell victim to a cruel scam. I know this cannot have been easy for her to go through and she has my sympathy. I hope she is getting the support she needs. But it's worth keeping in mind that it's ultimately the scammer who is primarily responsible for the loss Ms B has experienced. And in this case, I can only consider what Ms B and Castle are responsible for.

On considering this matter, my focus has been on the actions of Castle and whether it has acted reasonably towards Ms B. In doing so, I've carefully reviewed all the evidence presented including information from Castle and Ms B, to get an understanding of what happened. This includes submissions made on the other complaints which I have seen that Ms B has referred to this service, so I can understand the sequence of events fully. And I'd like to assure Ms B that if I don't mention a particular point, it's not because I haven't considered it, but I've focussed instead on what I believe to be important to the outcome of this complaint.

Firstly, existing consumer credit legislation states that a customer can't be held liable for a loan if it was taken out by an unauthorised party. So, what I have to decide here is whether or not Ms B applied for the loan herself or authorised someone else to do so on her behalf.

I understand that once Ms B made Castle aware, it made efforts to retrieve the loan funds, but this was not successful possibly due to the amount of time that had already passed.

Ms B said she downloaded remote access software to her phone on the instruction of the third party and then went on to share the security code that she received. But she did not realise the implications of doing so at the time. Ms B also mentions that she was unaware it was a loan application in her name, which was being made with Castle, and it only came to her attention much later when she realised, she had been scammed.

Castle has provided evidence which shows that when Ms B was asked, she explained she was aware that a pre-approved application was being made by the third-party, but she was under the impression it was going to be used to fund her investment. Ms B also said it was the third party that used any desk to transfer money between her accounts.

Ms B also accepts she provided her driving license and bank details - although she says was led to believe it was part of the registration process for the platform.

I have considered what Ms B has said, but on reviewing what Castle has told us and what I can see as evidence on her complaint against the receiving bank, it seems like there is a discrepancy between what Ms B has told us here and what she went on to tell her bank.

Specifically, I can see they spoke to her and asked further questions when a request was made to transfer the loan proceeds from her bank account. Which seems to contradict what Ms B has told us here about the third-party transferring the money between her accounts and suggests to me that she was aware that the loan had been deposited into her account by this point.

Her bank has provided evidence to show the extent of the intervention that took place on 7 May when Ms B attempted to transfer £9,500 from the loan she had received from Castle into the proposed investment. In particular, I have listened to the call that took place between the bank and Ms B where it was highlighted that any desk and using finance to fund investment opportunities was a tactic used by criminals to scam individuals.

There was also a further conversation relating to the types of scams that were prevalent and Ms B's experience and understanding of the investment she was entering into, which emphasised on how aware she was of the risks of investing. In response Ms B stated that she had completed her own research into the investment and was aware of the risks. On review, I think what was discussed should have raised some red flags for Ms B.

Based on what Ms B has told us, I acknowledge that she has said it was the scammer who ultimately applied for the loan on her behalf with Castle. But I'm conscious that although the funds were paid into her bank account, no concerns were raised with either Castle or her bank even despite attempts made to intervene on the request to transfer on the proceeds.

Ms B mentions she did not receive any confirmation of the loan and does not agree that she should be held liable for it in the sense that she did not agree to it. With the benefit of hindsight and realising that she's been the victim of an elaborate scam, I can understand why Ms B thinks that. But the issue here is that at the time of the application, as far as Castle was concerned, it was a legitimate application which was verified and checked using information belonging to - and as clarified - supplied by Ms B, which was used to satisfy Castle's loan application requirements and Castle has presented information to that effect.

Based on what I have seen, I can't see that Castle had any reason to think it wasn't Ms B applying for this loan. Her correct details were provided, her genuine contact details were used, the funds were to be paid to her genuine bank account, a proper direct debit mandate was set up, and the application passed all the checks, So I'm not persuaded there was cause for Castle to suspect anything untoward.

But even if I were to accept that Ms B might not have physically submitted the loan application herself, according to her testimony and call recording with her bank, I remain satisfied she was aware of the funds crediting her account. So, it would still be fair and reasonable for Castle to hold her responsible as she still had the opportunity to stop and question where the money had come from and to stop it being spent. And it's clear from what her bank has evidenced, that she chose to transfer the money away.

So given everything presented, I don't think Castle would have been alerted to anything to suggest that the loan was being applied for because of a scam. And I think Castle acted in good faith, based on the information it was given when approving the application. And I think it more likely than not that Ms B was aware that the proceeds would be invested for her benefit.

As I can't fairly hold Castle responsible, I can't reasonably tell them to write off the principal amount of the loan in these circumstances. But I find it's fair that Castle has agreed to waive the loan's interest, given that this loan was taken out as the result of a scam and Ms B did not end up benefiting from the funds.

Finally, I can see that there has been mention of previous decisions this service has made where the circumstances are highlighted as being similar to those experienced by Ms B. But I want to clarify that as all cases are considered independently and are based on their own merits, previous decisions would have no relevance on what I decide. Here I have considered what I think is fair and reasonable based on all the evidence presented that is specific to these circumstances.

I'm aware this has been a very difficult time for Ms B and that the impact of the scam has been significant, and I'd like to assure her I haven't taken this decision lightly. But taking everything into account, as I believe it's most likely Ms B knew about the loan, I can't say Castle has acted unfairly in holding her responsible for repaying it.

Castle however must be mindful of the position Ms B finds herself in. This is a lot of money that Ms B is now liable to repay. I would expect Castle to be sympathetic to her circumstances and give consideration to this prior to deciding on an appropriate repayment plan which is agreeable and reasonable to both parties.

My final decision

For the reasons given, my final decision is not to uphold Ms B's complaint against Castle Community Bank.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 23 July 2025.

Sukhdeep Judge
Ombudsman