

The complaint

Mrs P complains about Santander UK Plc.

She says that she has fallen victim to a scam and would like Santander to refund her the money she has lost as a result.

What happened

In December 2019, Mrs P made a payment of £10,000 to a company I will refer to as HSG.

However, Mrs P now says that HSG was operating as a scam – and she has lost her money. Mrs P made a complaint to Santander about the investment through a third party and said that it should have done more to protect her.

Santander didn't uphold the complaint, it said that HSG was a legitimate investment that had gone wrong – and so it was a civil dispute between Mrs P and HSG.

Mrs P and her representatives brought the complaint to this Service.

Our Investigator looked into things under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. They agreed it was more likely a civil dispute between Mrs P and HSG. On balance, they did not think the evidence showed HSG didn't intend to act in line with the agreement or pay the funds described in the contract. And instead, they felt it was more likely this was an investment that failed.

Mrs P and her representatives asked for a final decision, so the complaint has been passed 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.

Having done so, I have decided not to uphold this complaint. I know this will be disappointing for Mrs P, so I'll explain why.

It isn't in dispute that Mrs P authorised the payment she made to HSG. Because of this the starting position – in line with the Payment Services Regulations (PSR's) 2017 – is that she is liable for the transaction. But she also says that she been the victim of an authorised push payment (APP) scam.

Santander has signed up to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an 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 set out the definition of an APP scam as set out in the CRM Code below:

... 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.

I've therefore considered whether the Mrs P made to HSG fall under the scope of an APP scam as set out above. Having done so, I don't think that they do. I'll explain why in more detail.

In order to determine if Mrs P has been the victim of a scam, I have to consider if her intended purpose for the payments was legitimate, whether the intended purposes Mrs P and HSG were broadly aligned and, if not, whether this was the result of dishonest deception on the part of the HSG.

Based on the evidence available to me, it appears Mrs P was intending for the funds to be invested in specific building projects around the country. She then expected to receive regular returns on her investment over the course of the investment. While Mrs P hasn't submitted any paperwork she was provided by HSG, I know that other investors received paperwork prior to investing that appeared to be professional and detailed, and HSG was listed on Companies House as being incorporated since 2011. So, I see no reason why Mrs P would not have thought this was a legitimate investment.

I've gone on to consider whether HSG's intended purpose for the payments aligned with what Mrs P intended. I've seen evidence that three building projects were completed by HSG. They also had other projects ongoing, however these had to be sold to other developers after they entered into financial difficulty. On balance, I think this shows HSG was a legitimate company involved in legitimate building projects, and I think it's unlikely a scam company would have completed three large scale building projects at significant cost in order to entice more funds from investors.

Mrs P's representatives have said HSG paid unregulated introducers a high level of commission which in turn made the level of interest offered to investors unlikely. They felt that a credit event was inevitable in the circumstances. However, whether or not unregulated investors were used to introduce the investment does not indicate that HSG set out to defraud investors of their funds, with no intention to invest the funds into building projects. And while I have not seen evidence of the levels of commission paid to introducers, I don't think there is a correlation between the level of commission and Mrs P being the victim of a scam in the circumstances.

It should be noted that the liquidator for HSG has not provided any evidence to suggest they were acting fraudulently or operating a Ponzi scheme. They are still in the process of investigating a significant number of transactions made from HSG to various subsidiary companies, due to the way in which the HSG network was set up. However, at the moment there is no indication that these transactions were made with the intention of hiding these funds and not using them towards development projects.

Mrs P's representatives have also highlighted that HSG had not filed accounts since 2018, before Mrs P made her investment. And they felt Santander should reasonably have picked up on this fact before processing the payments in question and revealed what they feel is a scam. While it appears HSG has not managed its finances correctly, I don't think this therefore means they were conducting a scam or that they intended to scam investors at that time. During this period in question, HSG were completing development projects around the country, and I think this highlights that they intended to use customer's investments in these development projects.

On balance, I think HSG's intended purpose for the funds aligned with Mrs P's and nothing I have seen indicates to me that HSG intended to defraud her. Instead, I think it's more likely this was a failed investment, So I don't think it meets the definition of an APP scam. And I think Santander acted reasonably when it treated the case as a civil dispute.

It is possible that further evidence may come to light at a later date, which may indicate HSG was operating a scam. Should such evidence come to light, then Mrs P can complain to Santander again, and refer the matter to this office, should she not be happy with the outcome.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 9 July 2025.

Claire Pugh
Ombudsman