

## **The complaint**

Miss B complains that Santander UK Plc (“Santander”) won’t refund money she lost when she fell victim to a scam.

Miss B is being represented by a claims management company in this complaint.

## **What happened**

In May 2020, Miss B invested in a company – Buy2Let/Raedex Consortium Ltd (“R”) – which leased cars. She invested £10,000 – a single faster payment from her Santander account – and expected to receive a return of 8% per year on her investment.

Miss B’s understanding of the investment was that it would fund a new lease car for a UK driver for three years. Her capital would be repaid in monthly instalments over the term with a final payment plus the interest being paid at the end of this.

Miss B received monthly returns of £235.27 from June 2020 until January 2021, i.e., £1,882.16, but then they stopped. R subsequently went into liquidation.

From the information available, it appears that in 2023 Miss B contacted Santander as she believed she’d been the victim of a scam. It declined her claim for a refund and said this was a civil dispute between the parties.

A complaint was subsequently made and referred to our service. One of our investigators looked into it and concluded that the evidence showed there was a clear discrepancy between the payment purposes Miss B and R had in mind, so this met the Lending Standards Board (LSB)’s Contingent Reimbursement Model (CRM) Code’s definition of a scam. They thought Miss B had a reasonable basis for believing the investment was legitimate. So, they recommended Santander to refund Miss B’s losses in full (less her returns), plus 8% simple interest per year calculated from 15 days after the date the directors of R were charged by the Serious Fraud Office (SFO) to the date of settlement.

Miss B accepted the investigator’s findings, but Santander didn’t. The bank said it was only made aware of the complaint when our service wrote to it and asked for its complaint file. It said it issued its final response shortly after that and hadn’t heard from our service since asking for the complaint file. Santander also said its position regarding the matter being a civil dispute hadn’t changed.

The investigator explained to Santander that our service had seen evidence that Miss B’s representative had complained to Santander months before it received a file request from us. Given the time required for the bank to respond to the complaint had passed when we received a referral, it was accepted and investigated.

Santander replied and said it was only pointing out that it hadn’t received Miss B’s complaint until our service contacted the bank about it. But in any event, it wasn’t challenging our jurisdiction to consider this complaint and its position regarding the reasons for declining Miss B’s claim hadn’t changed.

As an agreement couldn't be reached informally, the case was passed to me to decide.

### **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've decided to uphold this complaint. I'll explain why.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

In broad terms, the starting position in law is that a payment service provider like Santander is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (PSRs) and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the provider to reimburse the customer even though they authorised the payment.

The CRM Code is of particular relevance to this case. It's a voluntary code which requires firms to reimburse customers who have been the victims of authorised push payment (APP) scams like this in all but a limited number of circumstances. Santander was a signatory to the CRM Code at the time the payments in dispute were made.

In order for me to conclude whether the CRM Code applies in this case, I must first consider whether the payment(s) in question, on the balance of probabilities, meet the CRM Code's definition of a scam. An "APP scam" is defined as:

*"Authorised Push Payment scam, that is, a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer, authorised by a Customer in accordance with regulation 67 of the PSRs, 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."*

If I conclude that the payments meet the definition of a scam, as defined above, then Miss B would be entitled to reimbursement unless Santander has shown that any of the exceptions as set out in R2(1) of the Code apply.

### **Can Santander delay making a decision under the CRM Code?**

The CRM Code says firms should make a decision as to whether or not to reimburse a customer without undue delay. There are however some circumstances where I need to consider whether a reimbursement decision under the provisions of the CRM Code can be stayed. If the case is subject to investigation by a statutory body and the outcome might reasonably inform the firm's decision, the CRM Code allows a firm, at R3(1)(c), to wait for the outcome of that investigation before making a reimbursement decision. By not responding it's possible Santander considers that R3(1)(c) applies in this case.

In deciding whether R3(1)(c) is applicable in this case, there are a number of key factors I need to carefully consider:

- Where a firm already issued a reimbursement decision - for example by telling the consumer they will not be reimbursed because they are not the victim of an APP scam – then R3(1)(c) has no further application. The LSB confirmed in its DCO letter 71 to firms dated 6 November 2024 that *“a firm should not seek to apply this provision where it believes that the case is a civil dispute and therefore outside of the scope of the CRM Code”*.
- The Financial Ombudsman Service does not have the power to restart R3(1)(c) – so where a firm has made a reimbursement decision a consumer is entitled, under the DISP Rule, for our service to decide the merits of the complaint about the payment(s) they made fairly and reasonably on the balance of probabilities.

So, this provision only applies before the firm has made its decision under the CRM Code. Santander had already reached a decision on Miss B's claim in its final response letter to her and in its correspondence to this service, when it said the complaint was a civil matter. Therefore, it can't seek to delay a decision it's already made.

#### Is it appropriate to determine Miss B's complaint now?

The SFO had been carrying out an investigation into the car leasing company and several connected companies. But that investigation concluded on 19 January 2024 when the SFO published the outcome of the investigation, which included the charging of R's former company directors with fraud, on its website.

There may be circumstances and cases where it's appropriate to wait for the outcome of external investigations and/or related court cases. But that isn't necessarily so in every case, as it will often be possible to reach conclusions on the main issues on the basis of evidence that is already available. And I'm conscious that any criminal proceedings that may ultimately take place have a higher standard of proof (beyond reasonable doubt) than I'm required to apply (which – as explained above – is the balance of probabilities).

The LSB has said that the CRM Code doesn't require proof beyond reasonable doubt that a scam has taken place before a reimbursement decision can be reached. Nor does it require a firm to prove the intent of the third party before a decision can be reached. So, in order to determine Miss B's complaint, I have to ask myself whether I can be satisfied, on the balance of probabilities, that the available evidence indicates that it's more likely than not that Miss B was the victim of a scam rather than a failed investment.

I'm required to determine complaints quickly and with minimum formality. In view of this, I don't think it would be appropriate to wait to decide Miss B's complaint unless there's a reasonable basis to suggest that the outcome of the related court case may have a material impact on my decision over and above the evidence that is already available.

Santander hasn't clearly articulated whether it considers this may be the case here. It's not clear if Santander is concerned that any subsequent court action regarding R's actions may lead to Miss B being compensated twice for the same loss, i.e., by Santander and by the courts. But I don't know how likely it is that any funds will be recovered as part of those proceedings.

Similarly, I'm aware that there is an ongoing administration process – including liquidation. This might result in some recoveries; but given this would initially be for secured creditors, I think it's unlikely that victims of this scheme (as unsecured creditors) would get anything

substantive. That said, in order to avoid the risk of double recovery, Santander is entitled to take, if it wishes, an assignment of the rights to all future distributions under the administrative process before paying the award.

I'm also aware that the Financial Services Compensation Scheme (FSCS) is accepting customer claims submitted to it against Raedex Consortium Ltd. More information about FSCS's position on claims submitted to FSCS against Raedex can be found here: <https://www.fscs.org.uk/making-a-claim/failed-firms/raedex/>

The FSCS is also aware that we have issued recent decisions upholding complaints against payment service providers related to the Raedex investment scheme. Whether the FSCS pays any compensation to anyone who submits a claim to it is a matter for the FSCS to determine, and under its rules. It might be that Raedex Consortium Ltd has conducted activities that have contributed to the same loss Miss B is now complaining to us about in connection with the activities of Santander.

As I've determined that this complaint should be upheld, Miss B should know that as she will be recovering compensation from Santander she can't claim again for the same loss by making a claim at FSCS (however, if the overall loss is greater than the amount she recovers from Santander, she *may* be able to recover that further compensation by making a claim to FSCS, but that will be a matter for the FSCS to consider and under its rules).

Further, if Miss B has already made a claim at FSCS in connection with this matter, and in the event the FSCS pays compensation, Miss B required to repay any further compensation she receives from her complaint against Santander, up to the amount received in compensation from FSCS.

The Financial Ombudsman Service (FOS) and FSCS operate independently, however in these circumstances, it's important that FSCS and FOS are working together and sharing information to ensure that fair compensation is awarded. More information about how FOS shares information with other public bodies can be found in our privacy notice here: <https://www.financial-ombudsman.org.uk/privacy-policy/consumer-privacy-notice>

While the FSCS may be taking on these cases against R as a failed unregulated investment, it doesn't automatically follow that this was not a scam. This is not something that the FSCS would make a finding on before considering those claims.

As Santander can ask Miss B to undertake to transfer to it any rights it may have to recovery elsewhere, I'm not persuaded that these are reasonable barriers to it reimbursing her in line with the CRM Code's provisions.

So as the SFO has reached an outcome on its investigation, and I don't think it's fair or necessary to wait until the outcome of the related court case (which is scheduled to commence in almost two years), nor do I consider it's necessary to wait for the administration process to complete or wait for a claim with FSCS to be made, overall, I don't think it's fair to delay making a decision on whether Santander should reimburse Miss B any further.

For the reasons I discuss further below, I don't think it's necessary to wait until the outcome of the court case for me to reach a fair and reasonable decision. And I don't think it would be fair to wait for other investigations to complete before making a decision on whether to reimburse Miss B.

*Has Miss B been the victim of a scam, as defined in the CRM Code?*

As referenced above, Santander has signed up to the voluntary CRM Code which provides additional protection to scam victims. Under the Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances).

The CRM Code doesn't apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but hasn't received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier. So, it wouldn't apply to a genuine investment that subsequently failed. And the CRM Code only applies if the definition of an APP scam is met, as set out above.

I've considered the first part of the definition and, having done so, I'm satisfied that Miss B paid the account she was intending to send the funds to. And I don't think there was any deception involved when it comes to who she thought she was paying. So, I don't think the first part of the definition set out above affects Miss B's transactions.

I've gone on to consider if Miss B's intended purpose for the payment was legitimate, whether the intended purposes she and the company (R) she paid were broadly aligned and, if not, whether this was the result of dishonest deception on the part of R.

From what I've seen and what Miss B has told us, I'm satisfied that she made the payment with the intention of investing with the car leasing company. She thought her funds would be used to purchase a vehicle which would then be leased out, and that she would receive returns on her investment. I haven't seen anything to suggest that Miss B didn't think this was legitimate.

I've considered whether there is convincing evidence to demonstrate that the true purpose of the investment scheme was significantly different to this, and so whether this was a scam or genuine investment. And the evidence I've seen suggests the car leasing company didn't intend to act in line with the purpose for the payments it had agreed with Miss B. Miss B was told her capital would be used to fund a specific new vehicle and that it would be secured in her favour until the loan is repaid, by way of a fixed charge. But there's no evidence this was the case or that Miss B's funds were secured against a specific vehicle.

The FCA also checked a sample of the vehicles the companies held against the DVLA database and found a significantly larger proportion of these were second-hand than R's business model suggested or would support – as it relied on securing significant discounts on new vehicles, which wouldn't be available on second-hand vehicles. It also found a number of leases started significantly before the vehicles were put on the road, and some vehicles were not found on the database at all. And the FCA said it considered the companies' valuation of the vehicles held was unrealistic and that the group's liabilities significantly exceeded its assets.

A report by the administrators of one of the connected companies also said that the total number of loan agreements was 3,609, relating to 834 investors, but that the number of vehicles held by the group at the appointment of the administrators was 596 – or less than one car for every six loan agreements.

I've not seen a record at Companies House of any charge in Miss B's favour over any vehicle with the company following her investment. And, as I think the evidence shows the company was largely not carrying out this key aspect of the investments, I think it's safe to conclude that this wasn't done in Miss B's case either.

So, I think the evidence shows the car leasing company wasn't acting in line with the business model and features of the investment it had led Miss B to believe she was making.

And so, the purpose the company intended for the payments Miss B made wasn't aligned with the purpose she intended for the payments.

The SFO has also said that the former company directors are accused of providing those who invested with false information and encouraging people to pay in while knowing that investments weren't, in reality, backed up by the cars they had been promised. So, I think the discrepancy in the alignment of the payment purposes between Miss B and R was the result of dishonest deception on the part of the company.

As a result, I think the circumstances here meet the definition of a scam as set out under the CRM Code.

*Is Miss B entitled to a refund under the CRM code?*

Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam, like Miss B. The circumstances where a firm may choose not to reimburse are limited and it is for the firm to establish those exceptions apply. R2(1) of the Code outlines those exceptions.

One such circumstance might be when a customer has ignored an 'Effective Warning'.

Another circumstance in which a bank might decline a refund is, if it can be demonstrated that the customer made the payments without having a reasonable basis for believing that:

- the payee was the person the customer was expecting to pay;
- the payment was for genuine goods or services; and/or
- the person or business with whom they transacted was legitimate.

There are further exceptions within the CRM Code, but they do not apply in this case. Although Santander hasn't established that any of those exceptions apply, for completeness I find that none apply in this case.

I say this because the way Miss B was told the investment would work doesn't appear to be suspicious, and the returns she was told she would receive don't appear to be too good to be true. And, in line with a genuine investment opportunity, the brochure stated that the investment wasn't completely guaranteed. The investment material and communications with R I've reviewed appear professional, and there was nothing in the public domain at the time about R that Miss B could have reasonably inferred from that a scam was taking place.

It appears that the company had been operating for several years. One of the connected companies was authorised and regulated by the FCA, and a number of previous investors had received the returns they were told they would receive. So, I don't think there was anything about the investment that should have caused Miss B concern.

Santander hasn't alleged that Miss B made the payment without a reasonable basis for belief that the investment was legitimate. In its complaint record, the bank has noted though that it asked her for the payment reason and provided a 'static warning'.

The CRM Code sets out minimum criteria that a warning must meet to be an 'Effective Warning'. I consider it reasonable to expect that any Effective Warning should have had a realistic prospect of preventing a scam of the general type the warning was intended for. Here, Miss B was making a payment to what she believed was an investment. That is a common scam type and one for which I'd expect Santander to be able to tailor a warning.

I've carefully reviewed the warning Santander has noted it provided Miss B at the time of the payment. It wasn't particularly relevant to an investment scam risk. Rather, it was generic in nature and talked about the customer being pressured into making the payment or being asked to make an urgent payment. I think many customers might reasonably have concluded the warning simply wasn't relevant to them. I don't think the warning was sufficiently impactful or specific as required by the CRM Code. It follows that I can't fairly say Miss B ignored an effective warning.

And so, I don't think Santander has established that any of the exceptions to reimbursement under the CRM Code apply here, and so it should refund the money Miss B lost in full.

### **Putting things right**

As Miss B received monthly interest payments back from R in return for the funds that she seeks reimbursement for, I think it would be fair for these payments to be deducted from the amount Santander has to refund her.

I also don't think any intervention action I would have expected Santander to take would have prevented Miss B from making the disputed payment. This is because I don't think any of the information that I would have reasonably expected Santander to have uncovered at the time of the payments would have uncovered the scam or caused it significant concern. And I don't think it was unreasonable for Santander to initially decline Miss B's claim under the CRM Code, as it wasn't clear from the evidence available at the time that this was a scam.

But the CRM Code allows firms 15 days to make a decision after the outcome of an investigation is known. So, I think Santander should have responded to Miss B's claim and refunded her losses under the CRM Code within 15 days of the SFO publishing the outcome of its investigation. And so, I think Santander should now pay 8% interest on the refund, from 15 days after the SFO published its outcome on 19 January 2024, until the date of settlement.

Therefore, in order to put things right for Miss B, Santander UK Plc must:

- Refund Miss B the disputed payment she made as a result of this scam (£10,000), less the applicable payments she received back from R (£1,882.16), so £8,117.84.
- Pay Miss B 8% simple interest per year on that refund, from 15 days after 19 January 2024 until the date of settlement<sup>1</sup>.

As the car leasing company is now under the control of administrators, it's possible Miss B may recover some further funds in the future. In order to avoid the risk of double recovery Santander is entitled to take, if it wishes, an assignment of the rights to all future distributions under the administrative process before paying the award.

### **My final decision**

For the reasons given, my final decision is that I uphold this complaint and Santander UK Plc needs to put things right for Miss B as I've set out above.

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<sup>1</sup> If Santander considers that it's required by HM Revenue & Customs to deduct income tax from the interest award, it should tell Miss B how much it's taken off. It should also provide a tax deduction certificate if she asks for one, so the tax can be reclaimed from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 10 February 2025.

Gagandeep Singh  
**Ombudsman**