

The complaint

Mrs C, who is represented, complains that National Westminster Bank PLC ('NatWest') didn't reimburse her loss after she says she was victim of fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

Mrs C employed the services of a business, who I will refer to as N, to install a kitchen extension at her residence. After agreeing a price for the works to be completed, Mrs C made an initial payment from her NatWest account for £17,644.80 on 8 April 2022.

Work commenced at the property, but part way through, N went into liquidation and informed Mrs C that the project would be handed over to another business, which I'll refer to as L.

The works continued and Mrs C was instructed to make a further payment of £10,449.34 which she did from her NatWest account on 12 July 2022. Mrs C says that the relationship broke down with L after a representative of the business started to ask for more money for additional costs.

Mrs C employed the services of another contractor, who assessed the work carried out and found flaws in the standard of building work that had been carried out. Mrs C had to pay a substantial fee to have these rectified; she also felt that N and L had acted fraudulently.

Mrs C reported the matter to NatWest. And after it carried out an investigation, it concluded that it was a civil matter between Mrs C and the contractors. It therefore didn't find it had any liability in reimbursing Mrs C her loss.

Mrs C remained unhappy, so she brought the matter to our service for an independent review. But an Investigator—after considering all the relevant evidence—concluded that the matter was likely a civil dispute rather than fraud.

Mrs C disagreed with the Investigator's conclusions, so the matter has now been passed to me for a final decision to be made.

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 in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

It's not in dispute that Mrs C made the payments in dispute. So, in accordance with the Payment Services Regulations 2017 she is presumed liable for the loss in the first instance.

However, NatWest is a signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM Code). Under that Code, firms are expected to reimburse customers who fall victim to fraud, subject to a number of exceptions.

However, the CRM Code is only relevant if I'm persuaded Mrs C did fall victim to a fraud. The Code specifically doesn't cover certain types of disputes. It says:

"This Code does not apply to...private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier".

Likewise, even had the payments not fallen within the scope of the CRM Code, NatWest has no liability to reimburse Mrs C her loss from a bank transfer where the matter is deemed more likely to be a civil dispute rather than a fraud.

From the evidence provided so far by Mrs C, I'm not currently persuaded that the bar has been met for this to be considered under the CRM Code. I'll explain why.

It is important to recognise here that the above definition written within the Code (DS2(1b)) is clear and objective. And Mrs C has clearly paid a supplier for goods and services that have in some instances not been received and, in others, unsatisfactory.

What does appear to be in dispute is whether N and L—or more specifically, the persons in control of these entities—were legitimate suppliers.

Both businesses were registered via Companies House, and the information provided by the business regarding its liquidation is consistent with the information held within the register.

It is acknowledged by Mrs C that both businesses attended the property and carried out works over a significant period. This included the employment of several members of staff and the purchase of materials. I find it unlikely, in the absence of evidence to the contrary, that a person intent on defrauding her would go to such lengths, and at such cost which would ultimately be deducted from their gains, to commit such an act.

I've also noted that over the course of the six-months the contractors worked at the property, Mrs C and her partner made six payments after the deposit was paid, all the way up to the point the work ceased. This would suggest to me that they were likely satisfied with the work up until the point the relationship between both parties broke down. I acknowledge that Mrs C likely wasn't aware of some of the substandard work that had been carried out until it was inspected by a professional in that field. But she was clearly satisfied with the work she could see to continue paying for the project over a significant period.

Further, evidence obtained by our service regarding the accounts that received the payments Mrs C sent suggest they were held by the businesses Mrs C was dealing with and used for their intended purpose. There were no other reports of suspicious activity on those accounts prior to Mrs C raising her concerns: something I'd have expected to have seen for a business that has been repeatedly accused of defrauding its customers.

Mrs C's representative has argued several points that they believe shows this to be a calculated fraud. I'm sorry to disappoint Mrs C but I'm not persuaded these go far enough. In summary, these points are as follows:

- Subsequent remedial works and reports suggested that some of the work was either carried out to an unsafe standard and would need to be replaced: or wasn't carried out at all.

- The business falsified references by displaying reputable business logos on its website and provided prior customer details that hadn't had works completed.
- Sub-contractors had approached Mrs C complaining that they'd not been paid for the work they'd carried out at the property. Some staff that had worked at the property were also under qualified to carry out those works.

Many of these points—and the evidence provided to support them—are circumstantial and, in my view, would go only as far as to indicate serious malpractice. But it doesn't automatically follow from this that an intention to defraud was likely.

I accept that it's likely the businesses carried out substandard work that didn't meet certain requirements. And I also accept from looking at open resource reviews online that it likely failed to pay some of its sub-contractors. But there are a number of reasons why this may have occurred other than an intention to commit fraud, such as a breakdown in relationship with the customer (leading to works being incomplete), a poorly managed business or financial difficulties. I don't find from the evidence available that these possibilities have been ruled out.

It is important for me to add that my findings aren't intended to conclusively find Mrs C wasn't defrauded here. Should further information or evidence come to light that supports an intention to defraud—such as a criminal prosecution that supports the Director's fraudulent intention—then that information can be provided to the bank, and a reassessment of her claim can be carried out. But as matters stand, I'm not persuaded that this falls under the scope of the CRM Code, and it therefore follows that NatWest has no liability in reimbursing Mrs C her loss.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 30 May 2025.

Stephen Westlake
Ombudsman