DRN-5190782

The complaint

Mr G complains that Bank of Scotland plc trading as Halifax won't refund money he lost to an investment scam.

Mr G is being represented by solicitors in this complaint.

What happened

Between February and April 2022, Mr G made seven transactions totalling £31,400 from his Halifax account. These were made in connection with an investment opportunity with a company "H" which he came across while looking to invest. Mr G says he did some initial checks online, including researching H's owner, and attended calls he was invited to join. He was promised a daily return of 0.3% which he understood compounded over time. Mr G was also added to a group chat on an instant messaging platform comprising hundreds of investors.

To deposit funds into the scheme, Mr G purchased cryptocurrency from a cryptocurrency provider by sending payments from his Halifax account. The cryptocurrency was then deposited into his account with H. Mr G was able to make four withdrawals totalling £2,955.99 during this time. He states he realised something had done wrong with he was unable to make further withdrawals.

Halifax provided a partial refund to Mr G after he complained. The bank accepted that by the time Mr G made the third disputed payment, an unusual pattern had emerged, and it should have made enquiries before processing the payment. Halifax also accepted that if it had, it's likely that the scam would have been uncovered and further losses prevented. Halifax said it considered Mr G was equally responsible for what happened, so it refunded 50% of all the payments starting from payment 3. In addition to paying interest on the refunded amount, the bank also paid £50 compensation.

Mr G referred the complaint to our service as he remained unhappy with Halifax's offer. Initially, our investigator agreed with the bank's stance and concluded that it had already fairly resolved the complaint. Subsequently, they noted that some of the payments Mr G made towards the scam were investments made on behalf of other individuals. The investigator therefore thought that Halifax had refunded more than we would have expected it to. Mr G's representative disagreed with the investigator's conclusions and asked for the matter to be reviewed by an ombudsman. In summary, the representative states that Halifax should have acted sooner and the allocation of liability should be weighted higher in the bank's favour.

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 accepted by all parties that Mr G was scammed by H. Halifax has also acknowledged that had it intervened and asked sufficiently probing questions at the point the account activity appeared out of character, it is likely the scam would have been uncovered, and further losses prevented. Mr G's referral to this service only mentions his disagreement with the point at which Halifax should have intervened and the bank's decision to make a deduction for contributory negligence. I've therefore proceeded on the basis that there's no dispute about the £50 compensation that Halifax has paid him. And so, what's left for me to decide is at what point the bank should have identified that Mr G might be at a heightened risk of fraud that merited its intervention, and whether it is fair that a deduction is made from the refund it is liable for.

Having looked at Mr G's account statement, I don't consider the individual transaction amounts in dispute were that unusual such that I think Halifax ought to have had cause for concern. Also, the account activity shows that it wasn't unusual for Mr G to make multiple same day large value payments. That said, the first three scam payments - £6,000, £8,000, and £7,000 – were all made on the same day. From the information Halifax has provided, there was a four-hour gap between payments 1 and 2. The gap between payments 2 and 3 was only eleven minutes.

While I understand Mr G's representative's strength of feelings on the matter, like our investigator, I don't think payments 1 and 2 were that unusual for the account activity such that Halifax ought to have been concerned. I acknowledge that Mr G was purchasing cryptocurrency. But I have to bear in mind that these transactions took place in early 2022. While cryptocurrency scams were prevalent then too, fraudulent practices have evolved over time. When deciding whether Halifax acted unfairly, the test I must apply is based on what good industry practice would have looked like back then. With that in mind, I don't consider an intervention was warranted when the first two payments were made. There's a balance to be struck between identifying payments that could potentially be fraudulent – and then responding appropriately to any concerns – and ensuring minimal disruption to legitimate payments.

By the time Mr G authorised payment three, I consider a clear pattern had begun to emerge. Given the gap between payments two and three, and the overall spending on the account by that point, I think that the circumstances should have led Halifax to consider that Mr G was at heightened risk of financial harm from fraud. In line with good industry practice and regulatory requirements, I'm satisfied that it is fair and reasonable to conclude that Halifax should have warned its customer before this payment went ahead.

As I've mentioned, Halifax has already accepted that it should have intervened at the time of payment three. It has also accepted liability from the loss suffered from that point on, although it has also held Mr G equally liable. There's a general principle that consumers must take responsibility for their decisions. So, I've duly considered whether Mr G should bear some responsibility by way of contributory negligence.

I recognise that there were aspects to the scam that would have appeared convincing. Mr G came across the investment opportunity through an advertisement. I haven't seen this advertisement, but I've seen other examples. In my experience, they often appear as paid advertisements on social media websites and a reasonable person might expect such advertisements to be vetted in some way before being published. Those advertisements can also be very convincing – often linking to what appears to be a trusted and familiar news source. I've also taken into account the provision of the trading platform (which, I understand, used genuine, albeit manipulated, software to demonstrate the apparent success of trades). I know that the scammer used the apparent success of early trades to encourage later deposits. I can understand how what might have seemed like taking a chance with a relatively small sum of money snowballed into losing a significant amount of money.

So, I've taken all of that into account when deciding whether it would be fair for the reimbursement due to Mr G to be reduced. I think it should. It doesn't appear that Mr G carried out any due diligence before deciding to part with his money. There were several regulator warnings about H published in the public domain, including from the UK's Financial Conduct Authority which warned the public to avoid dealing with the firm. I can see that Mr G's representative has argued that as Mr G was sending payments through an FCA-registered firm (i.e., Halifax), it wasn't his job to check for warnings. I find this argument illogical. While a payment service provider has a duty to protect its customers from the risk of fraud, there's still onus on the customer to satisfy themselves that they are sending money to a legitimate firm. Besides, in his submission Mr G says he did some online checks into H. As the investigator has highlighted, an internet search on H would have shown the regulator warnings.

Also, the offer Mr G was made – guaranteed 0.3% daily compound interest – was far too good to be true such that he ought to have been alert to something not being right. Weighing the liability that I've found on both sides, I think a fair deduction is 50%. As Halifax has already refunded 50% of the payments made from payment three onwards along with interest, it has already fairly resolved this complaint.

I note that in the initial complaint submission, Mr G's representative also mentioned the Lending Standards Board's Contingent Reimbursement Model Code (the CRM Code). But it isn't relevant to Mr G's payments as they went to another account in his name and so they wouldn't be covered under the provisions of the Code. It is for the same reason, i.e., payments to own account, that I don't think Halifax could or should have done more to recover Mr G's funds once the scam was reported.

In conclusion, despite my natural sympathy for the situation in which he finds himself, for the reasons given, I won't be telling Halifax to do anything further.

My final decision

For the reasons given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 10 October 2025.

Gagandeep Singh
Ombudsman