

The complaint

Ms O and Mr S are unhappy that Santander decided not to refund them after they say they were the victims of a scam.

What happened

Ms O and Mr S engaged the services of a builder – I'll refer to as B. They made three payments to B in October 2024 totalling £19,900. Ultimately the relationship between them broke down. Ms O and Mrs S say work hasn't been completed and they are seeking a refund of the payments they made to B, believing it to be a scam.

Santander discussed the second payment with Ms O. During the call Ms O told Santander that she'd known the payee for over four years, and she was helping her project manage the building work. But it has since come to light, that the payee was B's partner and completely unknown to Ms O and Mr S.

Ms O and Mr S raised a scam claim with Santander, but it declined to refund them, believing the matter to be a civil dispute rather than a scam.

One of our investigators looked into things. He didn't uphold Ms O and Mr S's complaint. He detailed the agreement between Ms O, Mr S and B, and the breakdown of the relationship, which was partly due to an altercation with a neighbouring property. The builder didn't want to return to the property. Despite attempts between the parties to resolve the issue, B didn't complete the work or refund Ms O and Mr S either. B offered to refund Ms O and Mr S on multiple occasions, but they declined to provide their account details to B. Considering the above factors the investigator, whilst sympathetic to Ms O and Mr S's situation and how it was impacting them, concluded the matter was a private civil dispute and not an Authorised Push Payment (APP) scam.

Santander was a signatory to the CRM code (the first payment was caught by the code) and the second and third payments were caught by the Faster Payment Scheme (FPS) and the CHAPS reimbursement rules - but the investigator explained that both the Code and reimbursement rules excluded civil disputes. So, Santander wasn't liable to refund Ms O and Mr S's losses here. And, beyond these two schemes, the investigator didn't find any other reason, that Santander was liable to refund Ms O and Mr S's losses.

Ms O and Mr S did not accept the investigators findings. They strongly believed they had been scammed, they believed the builder used a fake identity, they say they didn't pay the account they thought they were paying, and they don't believe the funds were used for the intended or agreed purposes. They added that no receipts were provided for the materials the builder claimed to have purchased. And they have been left with an outstanding invoice for a skip which the builder originally paid for. The cardholder then carried out a successful chargeback and the skip company is now pursuing Ms O and Mr S for that cost.

The investigator considered these points, but they didn't change his overall stance on the matter. Although he agreed the issue with the cardholder requesting a chargeback on the skip was suspicious, he didn't have all the facts of that incident to assess what had

happened. And, it wasn't enough to say B had set out with the intention defraud Ms O and Mr S from the outset, bearing in mind the other events that occurred and the correspondence between them. He also found no evidence that Santander did or ought to have stopped the payments with regard to any knowledge of the receiving account.

Ms O and Mr S set out a list of schemes, rules and regulations that it believed ought to have been considered and applied in the review of their complaint. The investigator dealt with each of these, explaining how each had either been applied and considered or wasn't relevant to the specifics of this complaint.

Ms O and Mr S asked for an ombudsman to review the complaint. So, it has been passed to me to consider.

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 be good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

Having considered everything carefully, I agree with the findings of the investigator and I'm not upholding the complaint. I'll explain why

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

Firstly, I'm sorry that Ms O and Mr S have lost out as a result of what's happened here. I can see that they have suffered greatly in terms of the financial impact and on their well-being. But it's my role to consider, whether the bank is responsible for those losses. And unfortunately, I'm not recommending that the bank refund them here.

The investigator set out a detailed account of events between Ms O, Mr S and B. And I agree with all of the findings and conclusions made by the investigator. There isn't a need to detail every single interaction between the parties, as these are covered in that view. I'll simply add to the investigators' findings, why I agree that this is not an APP scam but rather a civil dispute between the parties.

As Ms O and Mr S authorised these payments, there are a limited number of circumstances in which Santander would be liable to refund them, namely that they've been the victim of an APP scam. The investigator explained why he didn't think Ms O and Mr S had been the victims of an APP scam. And I agree with him. I'll explain why.

The CRM code

Santander was signed up to the Lending Standards Board's voluntary Contingent Reimbursement Model ('CRM Code'), which was in force at the time the first payment was

made. Under the CRM Code, the starting principle is that a firm should reimburse a customer who has been the victim of an Authorised Push Payment ('APP') scam.

The CRM Code covers payments made where *"the customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or the customer transferred the funds to another person for what they believed were legitimate purposes but which were in fact fraudulent"*.

In order for the consumer to have been the victim of an APP scam the consumer must have been deceived about the very purpose for which their payment has been procured. For there to be *'fraudulent purposes'* (as opposed to legitimate purposes) it would require the test for fraud to be met in relation to the *purposes* for which the payment was procured. That must have been at the time the payment transaction occurred or earlier. It does not follow that fraud at a later date can engage the CRM Code's definition of an APP scam. Neither would fraud which doesn't speak to the *purpose* of the payment. I take it to follow that there may be situations where false representations were made which could amount to fraud under the Fraud Act, but which don't have the effect of the payment falling within the scope of the definition of an APP Scam set out under the CRM Code.

And, I don't have the power to conduct a criminal investigation into B. Part of what is required here is to establish the intent and state of mind of the person(s) accused of this fraud about the purpose of Ms O and Mr S's payment.

When considering the evidence produced in support of Ms O and Mr S's claim of an APP scam, I'm required to reach my findings on a balance of probabilities rather than to the criminal standard. But given the serious nature of the allegations involved, I consider that this must involve convincing evidence, to lead me to find it more likely than not, the underlying purpose was a fraudulent one.

Incomplete work or work to a sub-standard, whilst that may have other implications in law, do not in and of itself, mean that Ms O and Mr S have been the victim of an APP scam and that the bank is liable for their losses as a result.

While I have considered Ms O and Mr S's claims about B, these do not fundamentally speak to the purpose for which funds were procured. B did ultimately engage in the building work that was contractually agreed, at least to some extent, even if that wasn't finished or was completed to a poor quality or standard. And Ms O and Mr S have other avenues available to them to dispute such issues and that is in part why this is classed as a civil dispute and not an APP scam.

Whilst there are some unusual activities carried on by B, including the chargeback carried out for the skip hire, these again do not indicate that B set out with the intention to defraud Ms O and Mr S from the outset. Ms O and Mr S haven't been able to provide any paperwork, invoices or receipts for goods either but it's not clear if those weren't provided by B or not. There's not enough of the conversation between them to understand the arrangement in place regarding the specific allocation of funds.

Rather that there has been a complex and unusual relationship here, of which I'm sure I haven't seen all aspects of. It's not in dispute that the work was started. And there's no indication that this wouldn't have continued, if there had not been the breakdown in the relationship, which was also linked to the altercation with the neighbour. And it's clear the relationship broke down shortly after the work commenced and altercation began.

It's also not clear why Ms O and Mr S didn't engage with B's multiple offers to refund them. This ultimately seems to be why Ms O and Mr S have been left out of pocket. And although I

don't doubt the predicament Ms O and Mr S have been left in, overall, I haven't seen convincing evidence that this came about as the result of an APP scam in order to say the bank ought reasonably to be held liable for their losses.

Ms O and Mr S have mentioned Police and Trading Standards involvement and if those investigations result in any new or material evidence relevant to Ms O and Mr S's claim then they can of course raise a new complaint with their bank at the time. But as it stands there is not convincing evidence that the issues Ms O and Mr S has faced with B are the result of an APP scam where B intended from the outset not to do the work as contracted.

The Faster Payment Scheme Reimbursement Rules

The Faster Payment Scheme Reimbursement Rules ("Reimbursement Rules") came into force on 7 October 2024 and apply to all UK-based Payment Service Providers (PSPs). They put a requirement on firms to reimburse APP scam payments made via the Faster Payments Scheme, in all but very limited circumstances.

The Reimbursement Rules set out the requirements for a payment to be covered. Of relevance here:

- It must have been made as part of an APP scam (whether to a recipient or for a purpose other than the payer intended);

An APP scam is further defined as where fraudulent deception was used to obtain the funds where:

- The recipient is not who the Consumer intended to pay, or
- The payment is not for the purpose the Consumer intended

So, for the same reasons previously given in relation to the CRM Code, I'm not satisfied that Ms O and Mr S's last two payments are covered by the Reimbursement Rules.

Any other considerations

Although Santander intervened with the second payment it wasn't able to get an accurate picture of the nature of the events, as Ms O wasn't precise about her knowledge of the payee. But I don't think this intervention has any overall impact on the outcome of the claim. I say that because Santander correctly considered this matter as a civil dispute. So, it didn't need to do more than it did, at the time it discussed the payment with Ms O.

My final decision

I'm sorry to disappoint Ms O and Mr S as I know they feel strongly that they've been the victim of a scam but I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms O and Mr S to accept or reject my decision before 27 November 2025.

Sophia Smith
Ombudsman