

The complaint

Mr A complains that Social Money Limited won't refund £105,137.60, which he says was paid by mistake.

What happened

Mr A had a loan with Social Money Limited, which was secured on a property. He borrowed £92,000. The precise terms of the loan are disputed – but in October 2022, Social Money, acting through a third party debt collector, began recovery action. In January 2023 the court made a possession order in favour of the lender.

A few months later, a third party, who I'll call B, contacted Social Money to discuss the debt. B said he held a power of attorney for Mr A – and paid Social Money £105,137.60, in five instalments. Mr A says he thought that this payment was in full and final settlement of the debt. He also thinks the legal charge was null and void. Nevertheless, there's been further court proceedings, and I understand that the property has now been repossessed and sold.

Mr A says Social Money Limited should refund the £105,137.60. He says that these represent a deposit for the sale of the property to another third party, who I'll call C. He says he now owes C these funds.

Our investigator looked at this, and didn't think it should be upheld. Mr A doesn't agree. The complaint has been referred 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.

I don't uphold the complaint. I'll explain why.

I cannot consider every complaint referred to me. The rules I must follow say I can only consider complaints about matters arising from qualifying relationships with financial businesses. Here, Mr A is complaining about a loan from Social Money Limited, which was secured on his property.

Mr A is a customer of Social Money, and I'm satisfied I can consider a complaint about any losses suffered by Mr A.

But two third parties are involved – B and C. Neither B or C are customers of Social Money. Nor do they have any of the other qualifying relationships with Social Money under our rules. It follows that I cannot consider any financial losses suffered by B or C, or award compensation to either of them.

I further note that Social Money has pursued Mr A for repayment through the courts – including possession proceedings. In so far as Mr A is now raising questions about the validity of the debt and the charge over the property, these are matters that should have been raised as part of those proceedings.

With all this in mind, I think the main question I need to decide is whether Social Money needs to return the £105,137.60 that B paid towards the debt.

These funds weren't paid by Mr A directly; they were paid from an account in the name of B who received them from C. Mr A has provided a copy of B's bank statements. I see that B received £92,000 from C with the reference "Payment Loan", and a further payment of £12,000 with the reference "Social Fund Loan". B then paid £92,000, £2,737, £7,285.28, £789.88 on 9 June 2023. B made a further payment on £2,325.44 on 16 June. The first four payments had the reference "Social Money" and the address of the property; the final payment had the reference "Social Money (Contract Bal)".

Based on everything I've seen, it's plain that B intended to pay Social Money on Mr A's behalf. B provided Social Money with a general power of attorney that says he was acting on Mr A's behalf. With all this in mind, I don't accept it was unreasonable for Social Money to have accepted these payments or to have applied them to Mr A's debt – it appeared B was acting with Mr A's authority. I don't accept this payment was made by mistake. I find that these payments were made by B with the express intention of repaying Mr A's debt.

B now wants the funds back. But B isn't a customer of Social Money. Neither is C. So I cannot comment in this decision on whether or not B or C are otherwise entitled to these funds or award any compensation to them. I recognise that B feels Social Money shouldn't have accepted the funds he sent them. I further note that B says Social Money told him it would return the funds to him if Mr A subsequently repaid the debt or it was repaid following the sale of the property. But while I realise this will be disappointing to B and C, neither of them can recover these funds through this service.

Finally, I've considered the other reasons Mr A and B have given for why Social Money should return the funds. At first B told Social Money these funds were the proceeds of crime – and so Social Money was required to return them. When Social Money didn't do so, B retracted this allegation. B then said the power of attorney was invalid – and that Social Money therefore lacked authority to apply the funds to Mr A's account. More recently, Mr A has suggested the source of these funds may have been a notorious drug lord and terrorist, who he claims has a base in Antarctica: Mr A says C refused to provide evidence of the source of the funds, and so Social Money are prohibited from keeping the funds under anti-money-laundering rules. Finally, Mr A says that the funds in fact represented the proceeds of a deposit for the sale of the property to C – and that C has obtained a court order requiring Mr A to pay C these funds back.

I've carefully considered the points Mr A and B have raised. But they don't change my conclusions. First, I don't find much of what Mr A and B have said about the nature of these funds credible – and this tends to undermine the plausibility of the rest of what they've said. Moreover, even if I took what they said at face value, it doesn't persuade me that Social Money needs to return the funds to Mr A – and indeed, it's B and C's position that the funds should instead be returned to either B or C. I've already explained why I'm satisfied that B intended to make these payments on Mr A's behalf – and why I don't think it was unfair for Social Money to have accepted them. I've also explained why I cannot make an award to B or C.

I accept that the recent court documents show Mr A may now owe money to C. But it doesn't follow from this that I would tell Social Money to refund this amount to Mr A – this appears to be a separate dispute between Mr A and C. I note that although Mr A now claims these funds B sent represented a deposit, the statements he's sent us suggest the payments were intended for the loan. The contract of sale, further, suggests any deposit was supposed to be paid to the seller's conveyancer. So I don't find Mr A's explanation here persuasive. I don't,

however, need to reach firm conclusions on this – as, for the reasons I've already explained, I wouldn't be able to award these funds to C.

I understand the property has now been sold, and so there may be a surplus that can be paid to Mr A. In this decision I'm just looking at Social Money's initial decision to accept the funds to Mr A's account from B. I'm mindful though that had the payment subject to the dispute not been made, any shortfall would instead have been needed to be paid from the proceeds of sale of the property – and Mr A would have paid additional interest.

For all these reasons, I don't uphold the complaint. So I'm not going to tell Social Money Limited to do anything further to put things right.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 21 July 2025.

Rebecca Hardman
Ombudsman