

Complaint

Mr K is unhappy that Santander UK Plc didn't reimburse him after he told it he'd fallen victim to a scam.

Background

In 2018, Mr K became aware of an investment opportunity involving a property development company that I'll refer to as Company A. In August of that year, he proceeded to invest £20,000. The investment was structured as a loan note, which was said to offer an annual return of 12%.

Mr K later discovered that Company A had gone into administration. He concluded that the investment hadn't been legitimate and that he must have been the victim of a scam. He contacted Santander to report the matter. It looked into things but it didn't agree to reimburse him. It said that this was a failed investment, rather than fraud. It considered the matter to be a civil dispute between Mr K and Company A.

Mr K wasn't happy with that response and so he brought his complaint to this service. An Investigator reviewed the case but didn't uphold it. Her findings were broadly in line with Santander's position. Mr K did not accept the Investigator's opinion, and so the complaint has now been passed to me to consider and issue a final decision.

Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The starting point under the Payment Services Regulations 2017 is that Santander was required to process payments that Mr K authorised, in line with the terms and conditions of his account. Mr K authorised the payment in question and so he is presumed liable at first instance. However, that's not the end of the matter. Good industry practice also required Santander to be alert to signs that a customer might be at risk of fraud. If a payment appeared unusual or out of character, I would expect the bank to take reasonable steps to protect its customer. That could include presenting a warning during the payment process or contacting the customer to understand the circumstances before allowing the payment to proceed. The nature and extent of any intervention should be proportionate to the level of risk identified.

The payment Mr K made was in 2018, which was before the Contingent Reimbursement Model (CRM) Code came into effect. As a result, that payment doesn't fall within the scope of the Code. However, good industry practice still required Santander to take the steps I've described above. In my view, the payment was sufficiently out of character that Santander should have spoken to Mr K before processing it. However, the core of Mr K's complaint is that Santander failed to protect him from fraud. To uphold that complaint, I would need to be satisfied that the investment itself was fraudulent. That requires evidence of dishonest intent on the part of the company Mr K invested in.

I can't know for certain what the intentions were of Company A at the time Mr K invested. That means I have to look at the other available evidence and see whether it allows me to draw inferences as to what they likely were. I've reviewed the information provided by Mr K, Santander, and third parties including the company's liquidators. I haven't seen persuasive evidence that the company never intended to carry out the property development work. In fact, there is evidence that it completed several large-scale projects and was involved in others that were later transferred to different developers.

Concerns have been raised about the company's business model, including high commissions paid to unregulated introducers and the sustainability of the returns offered. While these issues may point to poor financial planning or mismanagement, they don't necessarily indicate fraud. There are plausible alternative explanations that don't involve dishonest intent. I acknowledge that the company hasn't filed audited accounts since 2018 and that there are questions around governance and transparency. But again, these concerns appear more consistent with mismanagement than deliberate deception. The liquidators have said they are still investigating, but they haven't provided evidence that the company was operating a scam or Ponzi scheme.

Taking all of this into account, I'm not persuaded that the evidence submitted is strong enough to show that Mr K's payment to Company A was APP fraud. However, even if I were to conclude differently on that point, I don't think that would lead to a different outcome in this case. Mr K made a high-value payment that was out of character for the usual operation of his account. Santander should have taken steps to satisfy itself that Mr K wasn't at risk of financial harm due to fraud. A proportionate response would have been to pause the transaction and contact him directly to understand the wider context.

Santander didn't do that. However, that fact alone doesn't mean Mr K is entitled to a refund. I also need to be satisfied that any failing on the bank's part was a cause of his loss. Even if Santander had contacted Mr K, I don't think it would have had cause for concern after discussing the payment with him. He was investing in a company that appeared legitimate. The promotional material looked professional, the company was registered with Companies House, and there was no adverse information online at the time to suggest the business might not be genuine. Given those circumstances, I don't think a conversation with the bank would have deterred Mr K from proceeding with the payment. In other words, even if I accepted that Santander should have done more, I'm not persuaded that its failure to intervene caused Mr K's loss.

I don't say any of this to downplay the fact that Mr K has lost out here. I have a great deal of sympathy for him and the position he's found himself in. Nonetheless, I'm not persuaded that he's fallen victim to a scam and so I don't find that Santander needs to reimburse him.

Final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 3 October 2025.

James Kimmitt
Ombudsman