

The complaint

Mr I complains that Clydesdale Bank Plc, trading as Virgin Money, won't refund money he's lost in a scam.

What happened

Mr I was the victim of a purchase scam.

Mr I paid a painter and decorator a deposit of £1,680 for work on a property he'd recently purchased. Mr I asked for the work to be delayed, and after the job was pushed back a few times the fraudster refused carry it out. They advised that the wait had been too long. Mr I requested his deposit back, but the fraudster refused saying they'd lost out on work due to the delay.

Mr I raised a claim with Virgin Money to attempt to get his funds returned. But Virgin Money didn't think the payment should have triggered their fraud systems. And thought they'd acted fairly. But Virgin Money thought their communication during the fraud investigation could have been better and offered Mr I £25 compensation.

Mr I wasn't happy with Virgin Money's response so brought his complaint to our service. One of our Investigator's looked into his complaint. Overall they thought that the payment wasn't suspicious or unusual enough to trigger Virgin Money's fraud detection system. And they'd done all they could to recover the funds. However, they agreed with Mr I's complaint about the length of time and quality of Virgin Money's response to his fraud claim. In recognition of this they increased his compensation to £150 in total (£125 plus the £25 already offered by Virgin Money).

Virgin Money accepted our Investigator's view. But Mr I didn't, he said in summary:

- He thinks the compensation awarded for the impact on him is too low and he believes £750 is fair.
- The response Virgin Money gave to his scam claim was humiliating.
- His bank account was blocked around this time as Virgin Money didn't believe he was the account holder.

As Mr I didn't accept our Investigator's view, it's been passed 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.

Before considering whether Virgin Money acted fairly in not refunding Mr I's fraudulent transaction, I'll address one of Mr I's view responses.

Mr I raised that his bank account was blocked around the time of the fraud investigation as Virgin Money didn't believe he was the account holder. I've reviewed the final response letter, the complaint Mr I submitted to our service and the initial phone call Mr I had with our Investigator, but I can't see this complaint point was previously raised. For this reason, I won't be able to consider this in my decision.

The starting point under the relevant regulations – the Payment Services Regulations 2017 – is that Mr I is responsible for payments he's authorised himself. But, taking into account the relevant rules and guidance and what I consider to have been good industry practice at the time, I think Virgin Money ought, fairly and reasonably, to have been on the lookout for unusual and out of character transactions that might indicate Mr I was at risk of financial harm from fraud.

Where a firm like Virgin Money does have grounds to be concerned about a payment, I think it should reasonably take steps to warn its customer about the risk of continuing with the transaction. Whether a warning should be provided, and if so the nature and extent of that warning, should be proportionate to the risk the payment presents and strike a balance between trying to protect customers and not unduly inconveniencing them. I must also consider that applying significant friction to all payments would be very onerous and would likely be impractical for Virgin Money.

I've thought about whether the steps Virgin Money did take were proportionate to the risk the payments presented. Virgin Money provided a tailored warning to Mr I, which asked him the reason for the payment – Mr I selected 'paying a bill or invoice'.

The warning included *'Could this be a scam? Before you continue, we just want to help make sure you're not being scammed'* and *'Think you're being scammed? If the money goes to a fraudster, you're unlikely to get it back'*.

Mr I ticked the box which said *'I'm 100% sure this isn't fraud'*.

I realise this will disappoint Mr I but I'm satisfied that the tailored warning Virgin Money provided was a proportionate response to the risk the payment presented. And I don't think they needed to do anything else.

I appreciate the size of the payment was significant to Mr I, but when looking at his account activity I'm satisfied it wasn't unusually large and wouldn't have stood out – Mr I made several payments of higher amounts in the previous six months. It's also the case that Mr I had a large balance in his account following the transaction, and as this was only one payment to the fraudster there isn't a pattern of transactions to cause Virgin Money concern. Overall, I can't conclude that the transaction should have caused Virgin Money to intervene further than they did.

For completeness I've considered Virgin Money's recovery attempts. Unfortunately, by the time Mr I contacted Virgin Money to raise the scam his funds had already been moved on by the fraudster. It follows; I wouldn't have expected Virgin Money to do anything further here.

I'm sorry that Mr I was the victim of a cruel scam. But, I'm afraid I can only direct Virgin Money to refund Mr I's loss if I can conclude that it's act or omission was the cause of it, or that there was another fair and reasonable reason to do so. And I'm afraid for the reasons I've outlined above I can't conclude this.

Lastly, I've considered Virgin Money's investigation into Mr I's fraud claim. Mr I raised concerns about the lack of communication he received during the investigation, the length of time it took and the limited information shared with him at the end of the investigation.

Virgin Money haven't explained why they took five months to complete Mr I's fraud investigation. I agree the investigation took longer than I'd expect. And I also think the outcome response issued to Mr I wasn't sufficiently detailed or empathetic. I think it's understandable it led Mr I to question why it had taken Virgin Money so long to issue him with an outcome.

By accepting the award of an additional £125 Virgin Money have indicated that they agree the time the investigation took, and the outcome response weren't satisfactory.

Putting things right

I'm satisfied Virgin Money's poor communication and lack of detailed response caused Mr I distress. I appreciate that Mr I feels £750 is a fair amount of compensation for him to be awarded. But I'm satisfied that £150 compensation is in line with our approach for trouble and upset awards.

My final decision

My final decision is I uphold this complaint and direct Clydesdale Bank Plc, trading as Virgin Money, to:

- Pay Mr I £150 compensation for the impact caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 26 September 2025.

Jeff Burch
Ombudsman