

The complaint

Mr D complains that Barclays Bank UK PLC did not reimburse the funds he says he lost to a scam.

What happened

Mr D entered into a drop shipping agreement with a company I'll refer to as 'X' for the purposes of this decision. He agreed to pay X £13,000 as an investment in an online store and made the transfer from his Barclays account on 28 April 2021. Part of the agreement stated that if Mr D's store was not profitable within the first six to twelve months, X would purchase the store from the customer.

The store was active for a few years, but Mr D did not receive the level of income he had been promised by X, and a number of refunds had to be processed to customers due to non-delivery of goods. At one point, X recommended Mr D move his store to a new platform, but after paying a further £1,500 for this to be processed Mr D was told he was ineligible to use the platform. Mr D wrote to X on more than one occasion to trigger the clause in the agreement that stated X would purchase the store, but this was never accepted by X. X later entered liquidation in July 2024.

In August 2024, Mr D raised a scam claim with Barclays via a representative. The representative set out that they felt X was running a scam operation and raised a number of points. These included that X's listings were not fit for purpose with a high percentage of damaged or poor-quality orders with no tracking, and that the existence of any products at all was a cover for an elaborate Ponzi scheme, amongst other things.

Barclays issued a final response in August 2024 saying they needed more time to investigate. When the complaint was referred to our service, Barclays included in their business file that they felt this was a buyer/seller dispute and therefore was a civil dispute and not a scam under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code.

The case was referred to our service and our Investigator looked into it. They felt it was more likely X was operating as a genuine business and that Mr D's funds had been used for the intended purpose. So, they felt it was reasonable for Barclays to treat the complaint as a civil dispute.

Mr D's representative decided to no longer represent him, and he asked for an ombudsman to review the complaint, as he felt X had been operating a Ponzi scheme.

As an informal agreement could not be reached the complaint has been passed to me for a final decision.

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.

Having done so, I have come to the same outcome as the Investigator for largely the same reasons. I therefore agree that Barclays acted reasonably when it treated Mr D's claim as a civil dispute. I will explain my reasoning.

It isn't in dispute that Mr D authorised the payment of £13,000. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he is liable for the transaction. But he says that he has been the victim of an authorised push payment (APP) scam.

Barclays has signed up to the voluntary CRM Code, which provides additional protection to scam victims. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam (except in limited circumstances). But the CRM Code only applies if the definition of an APP scam, as set out in it, is met. I have set this definition out below:

...a transfer of funds executed across Faster Payments...where:

- (i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.*

The CRM Code is also explicit that it doesn't apply to private civil disputes. The wording in the code is as follows:

"This Code does not apply to:

- b) private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier."*

I've therefore considered whether the payment Mr D made to X falls under the scope of an APP scam as set out above. In order to determine if Mr D has been the victim of a scam, I have to consider if his intended purpose for the payment was legitimate, whether the intended purposes he and the company he paid were broadly aligned and, if not, whether this was the result of dishonest deception on the part of the company, in this case X.

Mr D has provided an excessive amount of evidence on this case. This includes an agreement between himself and X which sets out that X would provide drop shipping services to him at a cost of £13,000. This entailed Mr D purchasing certain products connected to the product listing provided by X, and X would then provide certain services after the sale, such as training. When Mr D made a sale, the details of that sale would be forwarded to X who would contact their wholesalers and arrange delivery of the items. I therefore think that Mr D's intended purpose for the payment was legitimate.

I've gone on to consider if X's intended purpose for the payment of £13,000 aligned with Mr D's. In doing so, I've considered the information available about X, including the receiving bank information. While I cannot go into detail about what they entail, the activity indicates X was operating as a genuine business. I say this because there were regular payments for staff wages as well as private healthcare, for pensions and to recruitment agencies. I therefore think it is more likely X was a genuine organisation that ran into financial difficulty and ultimately failed, rather than a scam operation.

Mr D's previous representative raised concerns about X entering liquidation, and a police investigation that is ongoing against it. I can understand these concerns, however I do not agree these issues are enough to be persuaded X was operating as a scam or that it did not intend to use Mr D's funds for the intended purpose set out above. I am not currently aware of any criminal charges being brought against any individual involved in X.

I appreciate Mr D has said X did not honour the section of the agreement that stated it would buy back the store within the first six to twelve months if it was not profitable. And he has said X's business model was flawed and led to multiple infringements against the stores it set up. However, I don't think this means his funds were not used for the intended purpose. From what Mr D has said, it appears that he did receive access to X's resale platform and the product listings as set out in the agreement. And looking at the evidence he has provided, he was able to message, e-mail and video chat with X regularly over the course of over a year for assistance with the shop. So, I do think they provided a service to him, even if the store was not as profitable as they had promised. On balance, I do not think this meets the bar of an APP scam under the CRM Code.

Having carefully considered everything available to me, I think Barclays acted reasonably when it treated this case as a civil dispute rather than a scam.

It is possible that further evidence may come to light at a later date, which may indicate X was operating a scam. If new material evidence comes to light, then Mr D can complain to Barclays again, and refer the matter to this service, should he be unhappy with the outcome.

My final decision

I do not uphold Mr D's complaint against Barclays Bank UK PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 9 October 2025.

Rebecca Norris

Ombudsman