

The complaint

Mr A and Mrs S have complained that Barclays Bank UK PLC did not reimburse the £13,000 they say they lost to a scam.

What happened

Mr A and Mrs S entered into a “dropshipping” agreement with a company which I’ll refer to as ‘X’. They agreed to pay X £13,000 as an investment in an online store where X would supply the products and arrange shipping, Mr A and Mrs S made the transfer on 11 April 2022.

Soon after they began operating their store Mr A and Mrs S began to experience problems, including items not being delivered to their customers. Mr A and Mrs S tried to resolve things with X but say it became increasingly difficult to engage with X. X later entered liquidation in July 2024.

In September 2024, Mr A and Mrs S raised a scam claim with Barclays.

Barclays declined to refund Mr A and Mrs S’ loss, it felt this was a civil dispute and therefore was 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. So, they felt it was reasonable for Barclays to treat the complaint as a civil dispute.

Mr A and Mrs S asked for an ombudsman to review the complaint, they reiterated the reasons why they believed X was a scam, and note that other claims made against X had been treated as fraudulent.

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 A and Mrs S’s claim as a civil dispute.

It isn’t in dispute that Mr A and Mrs S authorised the payment of £13,000. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that they are liable for the transaction. But they say they have been the victim of an authorised push payment (APP) scam.

Barclays was a signatory to the voluntary CRM Code, which was in place at the time this payment was made and which provided additional protection to scam victims. Under the CRM Code, the starting principle was 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 A and Mrs S made to X falls under the scope of an APP scam as set out above. In order to determine if Mr A and Mrs S have been the victim of a scam, I have to consider if their intended purpose for the payment was legitimate, whether the intended purposes of them and the company they 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 A and Mrs S have provided an agreement between themselves and X which sets out that X would provide drop shipping services at a cost of £13,000. This entailed Mr A and Mrs S purchasing certain products connected to the product listings provided by X, and X would then provide certain services after the sale. When Mr A and Mrs S made a sale, the details of that sale would be forwarded to X who would contact their wholesalers and arrange delivery of the items. Dropshipping is a legitimate enterprise, used extensively in online sales, I therefore think that Mr A and Mrs S'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 A and Mrs S's. In doing so, I've considered the information available about X. As part of our investigation, our service has reviewed X's account statements. We can see that the bank account used by X shows many signs of genuine business activity. For example, there were regular payments to legitimate limited companies, for staff salaries, and for private healthcare, pension funds and recruitment agencies. This is the kind of activity we might expect to see from a legitimate business carrying out its day to day activities. With this in mind, it appears more likely that X was a legitimate business that ultimately failed to provide the services agreed, rather than one that set out to defraud its customers.

X did ultimately go into liquidation, and I'm aware there is an ongoing investigation by the Police Service of Northern Ireland. Mr A and Mrs S have also commented that they are aware of a court case against X in which X was found to be acting fraudulently. But while I can understand the concerns around this, this isn't enough to conclude that X was operating a scam, or that it never intended to use customers' money for legitimate purposes. We have not seen any court documents relating to this judgement, so we can't know exactly what was

decided and why, or whether X made any representations on its part. And I'm not aware of any criminal charges having been brought against any individuals associated with X.

I acknowledge that the evidence suggests that X was not always acting professionally, but that does not automatically mean it was acting fraudulently, rather than this being a case of poor business practices that, ultimately, led to the failure of X as a business. So, with this in mind, I'm not satisfied that I've seen sufficient evidence to safely say that Mr A and Mrs S' funds weren't used for the intended purpose. It follows that the definition of an APP scam hasn't been met in this instance.

So, 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 show that X was operating a scam. And if new material evidence does come to light, then Mr A and Mrs S can complain to Barclays again, and refer the matter to this service, should they be unhappy with the outcome.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs S to accept or reject my decision before 23 October 2025.

Sophie Mitchell
Ombudsman