

The complaint

Mr I complains that Bank of Scotland Plc (trading as Halifax) won't refund the money he lost when he fell victim to a scam.

What happened

Mr I met someone in the course of his work who told him they were involved with investments and had an opportunity Mr I could get involved in. Mr I believed he would be investing in the purchase of protein bars and shakes which this individual would then sell on for a profit. Mr I has said he was told he would receive returns of around 25% within a week. He was told the more he invested the more profit he could make. Mr I was sent various invoices and bank statements which appeared to show profits from this scheme and received an email confirming what he had agreed, so on 19 April 2021 he made a payment for £4,000 to a third party as his initial investment.

Over the next two days he then invested a further £4,000 made via three payments to two different individuals. But when Mr I did not receive any of the promised profits, he realised he had been scammed.

Mr I went on to raise a scam claim with Halifax, with the assistance of a professional representative. Halifax looked into whether Mr I was entitled to a refund of all or some of the payments he made under the Contingent Reimbursement Model (CRM) Code, which was in place at the time. This voluntary code required firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances, and Halifax was a signatory of the Code.

However, Halifax told Mr I that it did not feel he had done enough to ensure the payments he was making were legitimate. It also felt it had intervened appropriately in the payments Mr I had made, so it declined to refund any of the payments to him.

Mr I didn't accept this. He thought Halifax should fully reimburse him.

One of our Investigators looked into Mr I's complaint. They thought Halifax was entitled not to refund the money Mr I had lost. They didn't think Mr I had held a reasonable basis for believing what he did when he sent the payments. They also felt that Halifax had not failed in its obligations to Mr I regarding intervention in payments and effective warnings. So, they thought Halifax had fairly assessed the claim under the Code and didn't think it needed to refund any of Mr I's loss.

Mr I remained unhappy, so his case has now been referred to me to reach 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.

I'm sorry to hear about what happened to Mr I, but I have to recognise that the main cause of his losses here was the scammer who deceived him. I must also take into account that

Halifax has an obligation to carry out the payment instructions its customers give it. As a starting point, a customer is therefore assumed liable for a payment they have instructed to be made.

But even with that in mind, where a customer has made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for a bank to reimburse its customer even though the customer authorised the payment.

Amongst other things, Halifax has a responsibility to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. Additionally, as I've mentioned above, the CRM Code can provide increased protection for the victims of APP scams. I'm satisfied that the faster payments Mr I made fall within the scope of the CRM Code. But despite offering additional protections, the CRM Code includes provisions allowing a firm not to reimburse APP scam losses fully in some circumstances. Those circumstances include where the customer made a payment without a reasonable basis for believing that the person they were dealing with was legitimate, was providing a genuine service, or that the payee was the person the customer was expecting to pay.

Halifax says this exception applies here. So, while it had reviewed Mr I's claim against the Code, it didn't think it was required to reimburse him.

I need to determine whether Halifax has established this exception to reimbursement can be fairly applied – in other words, that Mr I made the payments without a reasonable basis for believing they were legitimate. In considering this point, I've carefully considered everything Mr I has submitted as well as the evidence submitted by the bank.

There were some features of what happened here that I think should reasonably have caused Mr I to use greater caution before sending a large sum of money. Firstly, the returns on offer were very high, Mr I says he was told he could make profits of at least £1,000 on an investment of £4,000 in only a week. I think this was simply too good to be true. In addition, I can't see that Mr I did any checks into the scheme he was apparently investing in or into the parties involved, the invoices he'd been shown which he'd been told related to profits from the scheme were from a company which a simple search would show was a recruitment agency, with no obvious link to the investment he believed he was making. And Mr I was asked by the scammer to make payments to two different third parties, to individual personal accounts (and not the person he was speaking with) rather than business accounts. He says he was told these were individuals who worked at the wholesalers, but I don't think this makes sense as an explanation if the scheme was legitimate.

In short, I find there were several indicators that should have put Mr I on notice that he was potentially not involved in a legitimate investment. I've carefully considered Mr I's representations regarding his personal circumstances, but I don't consider those circumstances meant he was unable to protect herself from this type of scam.

With all this in mind, I think Halifax has been able to fairly establish that when Mr I made the payments to the scam, he did so without a reasonable basis for believing he was paying into a legitimate investment. This means that, as set out in the Code, Halifax does not need to refund him for his loss even though this was the result of a scam.

However, under the terms of the Code a bank may still be required to partially reimburse a customer in circumstances where it hasn't met the standards set for firms by the Code. That would include requirements in terms of funds recovery or in taking sufficient steps to protect the customer from falling victim to a scam.

I've thought carefully about this, and also about the other obligations Halifax had – aside from those set out in the Code.

The CRM Code says that where firms identify APP scam risks in a payment journey, they should provide Effective Warnings to their customers. The Code also says that the assessment of whether a firm has met a standard or not should involve consideration of whether compliance with that standard would have had a material effect on preventing the scam.

I am also mindful that when Mr I made these payments, Halifax should fairly and reasonably also have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things).

Having considered the payments Mr I made, I don't think they were so remarkable, in comparison to his usual account activity that they should've appeared as suspicious to Halifax. Having reviewed Mr I's bank statements for the 12-month period prior to the scam, I can see there were other payments Mr I made that were for similar or greater values. And as these payments were to individual personal accounts, rather than to any account that might represent a heightened risk of financial harm (such as to cryptocurrency or an overseas payment) I don't consider that they warranted any particular intervention from Halifax.

I appreciate Mr I disagrees and considers that the payment value was sufficient that Halifax ought to have provided a warning, he considers such a warning should have included information relevant to the situation Mr I was in. And in this case Halifax did provide a tailored written warning about the first and fourth payments Mr I made, it asked Mr I to choose from a list of payment purposes – which included an option to choose 'investment' – and Mr I selected 'move my money' so he saw a warning relating to that payment purpose. Mr I has said he always chose this payment purpose, regardless of what he was making a payment for. It's been argued that 'move my money' is such a generic purpose that it was reasonable for Mr I to select it regardless of what he was making the payment for. But given that there was an equally obvious option for 'investment' which is arguably a much more relevant payment purpose in the circumstances of these payments, I don't agree with the argument that has been made.

The payment purpose Mr I selected did not reflect the reality of the payments he was making. So, I think Halifax was prevented from providing an effective warning regarding these payments as Mr I did not accurately identify the purpose of these payments.

I therefore don't think Halifax failed to meet its standards under the Code by not providing Mr I with an effective warning, prior to processing the payments.

Once it was made aware of the scam, Halifax tried to recover Mr I's funds, but unfortunately was advised by the beneficiary bank that no funds remained. I don't think there's anything more Halifax could reasonably have done to recover Mr I's payments.

Overall I'm satisfied that Halifax isn't required to provide Mr I with a refund under the CRM Code. I do sympathise with Mr I as I appreciate he has strong feelings on this matter, but the circumstances of the case and the evidence available lead me to find I'm unable to uphold this complaint.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or

reject my decision before 18 September 2025.

Sophie Mitchell
Ombudsman