

The complaint

Miss D complains that Nationwide Building Society did not reimburse the funds she says she lost to a scam.

What happened

This investment was mostly organised by Miss D's father, however for simplicity I will only be referring to Miss D throughout this decision, even when the actions were taken by her father.

Miss D invested in a car leasing company in December 2019. She invested a total of £28,000 and did so from her Nationwide account.

Miss D signed a loan agreement with X in January 2020 agreeing to loan them £28,000 with an interest rate of 13.3% cumulative per annum. She was told her investment would be used to fund two vehicles which would then be leased out, and she would receive fixed interest payments each month. The monthly returns were set at £534.72, which Miss D received monthly up until the closure of her Nationwide current account. Following that point, returns continued to be paid into a third-party account in her name until X entered administration.

Miss D raised a scam claim with Nationwide but they felt X was operating as a legitimate company so felt this was a civil dispute. The complaint was referred to our service and our Investigator didn't think the available evidence demonstrated that X never intended to act in line with the agreement it had made with Miss D. Miss D's representative disagreed with the findings and said it had been confirmed X was operating a Ponzi scheme. They also said the registered charges for the two vehicles were 'category 2' charges and therefore invalid. And they had to chase a significant amount to get the charges registered on Companies House, so they felt this indicated there was no intention to use Miss D's funds to lease the specific vehicles.

The complaint was passed to me for review and I issued a provisional decision which read as follows:

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

Nationwide is a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This requires firms to reimburse customers who have been the victim of certain types of scams, in all but a limited number of circumstances. But customers are only covered by the code where they have been the victim of a scam – as defined in the code.

The relevant definition of a scam from the CRM code is that the customer transferred funds to another person for what they believed were legitimate purposes but were in fact fraudulent.

The CRM code also says it doesn't apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier.

So in order to determine whether Miss D has been the victim of a scam as defined in the CRM code I need to consider whether the purpose she intended for the payments was legitimate, whether the purposes she and X intended were broadly aligned and then, if they weren't, whether this was the result of dishonest deception on the part of the company.

From what I've seen, I'm satisfied Miss D made the payments here with the intention of investing with X. I think she thought the funds would be used to fund two vehicles as set out in the loan agreement, and that she would receive returns on the investment. And I haven't seen anything to suggest that Miss D didn't think this was legitimate.

Having reviewed everything available, I'm not satisfied the evidence I've seen shows that the X intended a different purpose for the payments, or that their intended purpose for the payments was not broadly aligned With Miss D's.

Miss D received the monthly interest payments she was told she would receive for over a year. And these interest payments only stopped shortly before X entered administration. So, it appears the investment was functioning as Miss D understood it would do up until this point.

Miss D was also told the repayment of her investment with X would be secured by way of a legal charge registered over the vehicles she had funded. The loan agreement she signed set out the specific vehicles the charge was over. And Miss D was also sent a document setting out the terms of the charge and again set out the specific vehicles the charge was over. I can also see the charge was registered in Miss D's name at Companies House, and still shows registered in her favour against one of the car leasing company's connected companies.

I do appreciate the comments made by Miss D's representatives that X had to be chased a significant amount before this charge was registered. However, considering the charge was registered on the same vehicles mentioned in the loan agreement at the inception of the investment, on balance I think this suggests X intended to, and did, provide the investment and security in line with its agreement with Miss D.

Miss D's representative has said X's administrator is treating the charge she received as invalid, and they have therefore argued that Miss D's purpose of the payments to have security over two vehicles was invalid.

But from what I've seen of the administrator's progress reports during the administration, the validity of the charges the car leasing company granted was uncertain for a significant period of time. The administrator has said they undertook a significant amount of work and applied for legal advice and directions from the court to determine how the charges should be treated. And the legal advice the administrator received said that the matter was very complex and not clear-cut, and counsel was unable to provide a definitive opinion.

So, even if it is now settled that the charges are invalid, which isn't certain, I think the fact that the administrators had to seek further guidance and took a number of years to come to an agreement suggests it was not clear cut that the way the charges were registered made them invalid. I'm not persuaded the administrators reaching the conclusions they did is persuasive evidence X knew that registering the charges in this way would make them invalid or that it deliberately registered them in this way in order to avoid acting in line with its agreement with Miss D.

I therefore don't think the administrator treating Miss D's charge as invalid some years later necessarily means that X didn't intend to provide the security in line with its agreement with her at the time.

I also appreciate that Miss D didn't receive all the returns she expected to and has lost a significant amount of money. But companies can fail to meet the terms of agreements they have made, and investments can fail to produce the expected returns for a number of reasons, that don't necessarily mean they have been operating a scam.

So, I'm not persuaded the available evidence is sufficient to safely conclude that the purpose X intended for these payments was different than the purpose Miss D intended. I therefore don't think the circumstances here meet the definition of a scam, or that Nationwide has acted unreasonably in not agreeing to refund the money Miss D lost from these payments as a result.

It's possible that material new evidence may become available at a future date, which suggests that X did register the charge in a manner that would suggest it knew it would make the charge invalid. If that happens, Miss D can ask Nationwide to reconsider her claim for these payments and, if not satisfied with its response, bring a new complaint to our service.

I'm also aware that the Financial Services Compensation Scheme (FSCS) is accepting customer claims submitted to it against X's parent company. More information about the FSCS's position on claims submitted against the parent company can be found on the FSCS's website. Whether the FSCS pays any compensation to anyone who submits a claim to it is a matter for the FSCS to determine, and under their rules. It might be that the car leasing company's parent company has conducted activities that have contributed to the same loss Miss D is now complaining about in connection with the activities of Nationwide.

Our service and the FSCS operate independently, however in these circumstances, it's important that we and the FSCS are working together and sharing information to ensure that fair compensation is awarded. More information about how we share information with other public bodies can be found in our privacy notice on our website.

Nationwide responded to my provisional decision and accept my initial findings.

Miss D's representative responded and asked how this case differed from one they felt was similar which our service upheld. They also asked us to reconsider whether it was realistic that X intended to register any security given that only consumers who chased ever got one.

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 understand that Miss D has lost a significant amount of money and that X did not ultimately deliver on what it was supposed to in terms of their agreement. I am also aware that our service has issued findings for other complainants where we have concluded X did intend to scam them and their losses have been reimbursed.

But I must consider Miss D's complaint on its own individual merits and, as I explained in my provisional decision, a legal charge was registered at Companies House in Miss D's favour. While I appreciate this took some chasing to implement, a charge was ultimately received, and I'm satisfied here that the provision of the charge over a vehicle is an important and

persuasive consideration. I'm also conscious that there were numerous investors who contracted with the car leasing company over several years and received all that was promised, demonstrating that there were people the car leasing company appears not to have set out to defraud.

While I understand that the administrator has now said the charges are invalid, I also highlighted in my provisional decision that I do not think this was persuasive evidence that X was aware they would be invalid when they applied them. This is because it took the administrators a significant amount of work and legal advice to come to the conclusion they were invalid, and the legal advice they received said the issue was very complex. I think the significant time it took to come to this outcome mean it's more likely it was not clear cut to X that these charges would be invalid. And I don't think this therefore shows they intended to defraud Miss D from the outset.

On balance, I'm still not satisfied the evidence I've seen shows that X intended a different purpose for the payments to Miss D, or that their intended purpose for the payments were not broadly aligned with hers. I therefore do not think this meets the definition of a scam as set out in the CRM Code.

My final decision

I do not uphold Miss D's complaint against Nationwide Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss D to accept or reject my decision before 24 October 2025.

Rebecca Norris
Ombudsman