

## The complaint

Mrs K and Mr K complain that Bank of Scotland plc trading as Halifax ('Halifax') won't reimburse funds they say were lost in a scam.

## What happened

Mrs K and Mr K hold a joint account with Halifax.

In September 2022 Mrs K and Mr K decided to renovate their home. Through a legitimate search site, they found a company I'll call S and its builder, H, who agreed to complete the work.

I have set out in the table below the payments Mrs K and Mr K made to S for building work and supplies.

Transaction	Date	Amount
1	07/11/22	£5,000
2	14/11/22	£3,000
3	15/11/22	£3,000
4	24/11/22	£5,000
5	02/12/22	£2,000
6	08/12/22	£3,000
7	16/01/23	£1,000
8	25/01/23	£1,000
9	01/02/23	£1,000
10	01/02/23	£2,500
11	22/05/23	£1,500
12	05/07/23	£1,300.66
13	06/07/23	£5,000
14	12/07/23	£3,000
15	12/07/23	£2,000
16	17/07/23	£1,000
17	25/10/23	£400
18	26/10/23	£2,500

Over time work slowed down, and Mrs K and Mr K say that in early 2024 all work ceased.

In May 2024 Mr K called Halifax to raise a scam claim. He said he had recently found out that H had been arrested. Mr K explained that some work had been done but a lot was incomplete and the standard of workmanship poor.

Halifax said that Mrs K and Mr K weren't the victims of a scam and noted that H's arrest wasn't evidence of fraud. But Halifax agreed to reconsider Mrs K and Mr K's claim if new evidence became available.

Mrs K and Mr K were unhappy with Halifax's response and raised a complaint with this service. They asked that all payments they had made to H be reimbursed in full under the Contingent Reimbursement Model Code ('CRM Code') on the basis that nominal work was completed to induce them to believe the builder was legitimate.

#### *Our investigation so far*

The investigator who considered this complaint didn't recommend that it be upheld as he felt Mrs K and Mr K have a civil dispute with their builder. In support of his conclusion, the investigator noted that a substantial amount of work was completed at Mrs K and Mr K's property over a lengthy period of time. And the CRM Code doesn't cover dissatisfaction with the quality of the work. The investigator went on to say that he recognised the police are investigating, but there still wasn't enough evidence to say Mrs K and Mr K were the victims of a scam.

Mrs K and Mr K didn't agree with the investigator's findings and asked for a final decision. In summary, they said:

- H's arrest and the police investigation relate to luring victims in by initially completing work before work slows down considerably and additional jobs are suggested at a discounted rate. Mrs K and Mr K provided a link to a news article covering H's arrest on suspicion of fraud.
- They paid a deposit for windows and doors that never arrived.
- Halifax should have flagged H's account.
- Halifax made its decision before they had the opportunity to provide any evidence.
- They provided details of other decisions published by this service and asked if they had been considered.

#### **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 that Mrs K and Mr K have lost money in these circumstances and of the impact on them mentally and physically. But I need to be clear that I'm not making a finding on the actions of their chosen builder, but on whether Halifax, as Mrs K and Mr K's bank, has treated them fairly.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened in light of the available evidence.

In broad terms, the starting position at law is that a bank such as Halifax is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and

conditions of the customer's account. In law, Mrs K and Mr K are responsible for payments they have authorised, and Halifax has no obligation to protect them from a potential civil dispute.

### *The CRM Code*

Halifax has signed up to the CRM Code, which provides 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 authorised push payment (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."*

In other words, the CRM Code isn't a general protection for customers against non-receipt of, or poor quality, goods or services.

To decide whether Mrs K and Mr K are the victims of an APP scam as defined in the CRM Code I have considered:

- The purpose of the payments and whether Mrs K and Mr K thought this purpose was legitimate.
- The purpose the recipient (H/S) had in mind at the time of the payments, and whether this broadly aligned with what Mrs K and Mr K understood to have been the purpose of the payments.
- Whether there was a significant difference in these purposes, and if so, whether it could be said this was as a result of dishonest deception.

Mrs K and Mr K thought they were paying for renovations to their home. I haven't seen anything to suggest that they didn't consider this to be a legitimate purpose.

I've gone on to consider what purpose H had in mind and whether it was in line with what Mrs K and Mr K thought.

It's clear that H attended Mrs K and Mr K's property over a lengthy period and completed a substantial amount of work, albeit not always to the standard required. Mrs and Mr K have explained, for example, that top floor boarding was completed (but the floor wasn't level), the chimney was removed and made good (but wires were left exposed and a mess was left), an opening was bricked up (but closed by stud work, not brick), a cylinder was removed and replaced (but the cylinder that was fitted doesn't work, and the old one wasn't taken away), plastering and a partition wall were done (completed but a quotation for the replacement of the stairs wasn't given). There are other examples in Mrs and Mr K's submission.

Based on what I have said above I cannot agree with Mrs K and Mr K that H completed a nominal amount of work. Not all work was completed, and the standard wasn't as expected, but the CRM Code is clear that it doesn't cover these circumstances.

The work wasn't finished by the builder but there's any number of reasons for this which don't amount to fraud. Unfortunately, businesses can fail or be mismanaged such that agreements are breached and agreed services aren't provided. Or relationships break down as work progresses. I note from the messages Mrs K and Mr K have provided, that H said he was in hospital, so it's also possible that illness played a part. These scenarios amount to civil disputes which banks aren't responsible for.

I appreciate that Mrs K and Mr K paid a deposit for doors and windows that weren't delivered, but there isn't any evidence that the funds they paid weren't used towards the overall cost of the project. There may have been an intention to buy items but for some reason this didn't happen.

Overall, I haven't been provided with sufficient evidence to conclude that it is more likely than not H took Mrs K and Mr K's funds with no intention of completing the work agreed. The fact the police are investigating shows there is a suspicion of wrongdoing but nothing more at this stage. I can't reasonably conclude that a police investigation demonstrates it's more likely than not that H didn't intend to complete the work.

It's possible that material new evidence may come to light at a later date that demonstrates H/S's intentions when Mrs K and Mr K made the payments, for example, from the police or Trading Standards. If it does, Mrs K and Mr K can ask Halifax to reconsider their claim.

Having carefully considered all of the information, I'm not satisfied that Mrs K and Mr K have shown H took their funds with a different purpose in mind, or that their funds weren't used for their intended purpose. This means that Halifax acted fairly in not considering Mrs K and Mr K's complaint under the CRM Code.

*Is there any other reason I could ask Halifax to reimburse Mrs K and Mr K*

Halifax should be on the lookout for, and to protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. Where potential fraud is identified, I would expect Halifax to intervene and attempt to prevent losses for the customer.

Halifax also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customers' accounts safe.

Here, I'm not persuaded that any intervention by Halifax would have prevented Mrs K and Mr K's loss. Based on what Mrs K and Mr K knew at the time, I'm not persuaded that their responses to any questions Halifax asked would have caused any concern. Mrs K and Mr K had found H/S through a legitimate tradesperson website, had provided a quote and Mrs K and Mr K weren't paying for the entire build upfront.

So, I'm satisfied that I can fairly say Halifax acted unreasonably in following Mrs K and Mr K's payment instructions.

#### *Service*

Mrs K and Mr K say that Halifax asked them to provide additional information on 9 May 2024 but didn't provide a date to respond by. It then issued its final response letter on 5 July 2024, before they had the opportunity to respond to the earlier letter. This wasn't part of Mrs K and Mr K's original complaint to Halifax or this service, so it isn't something I can consider here. But I have had the opportunity to review all the evidence Mrs K and Mr K have provided.

#### *Other points raised by Mrs K and Mr K*

Mrs K and Mr K have referred to other decisions published by their service. I am required to consider the individual circumstances of their complaint, so I won't comment on these decisions.

In their response to the investigator's view Mrs K and Mr K asked whether Halifax had checked the builder's account. This isn't something Halifax could do. It would be for the receiving bank to monitor activity and flag anything suspicious with the account holder.

*Overall*

I'm really sorry to disappoint Mrs K and Mr K as I realise they feel strongly that Halifax should refund them. But I'm not persuaded I can fairly hold Halifax liable for their loss.

**My final decision**

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K and Mr K to accept or reject my decision before 15 September 2025.

Jay Hadfield  
**Ombudsman**