

The complaint

Mr B on behalf of a limited company, which I will call 'E', complains that Royal Bank of Scotland ('RBS') have declined to refund a payment he made to one of their customers, which he says he made as a result of a scam.

What happened

The circumstances of this complaint are well known to both parties, so I will not go into every detail of what happened here. But, in summary, in February 2020 Mr B (acting on behalf of E) made a payment of £7,000 to someone I will call 'Mr A'. Mr A was a personal customer of RBS, and the payment went to his account held with it. Mr B now believes that this payment was made as a result of a scam.

Mr B said he met Mr A at a networking group. He explained that Mr A offered E the opportunity to get involved investing. He was persuaded to pay Mr A £7,000 for investment advice and access to an investment. He made this payment to the RBS account. He was then offered the opportunity to get involved in an investment with 10% monthly returns. Mr A had told him that he was looking for short term funding for a project to pay for land to build on, and funds would be returned within 3 months. Persuaded to invest, he signed contracts and he sent £50,000 to Mr A, to another account. But he never received a return on investment or a return on the principle. His representatives have told us that Mr A has since fled the country, and that he was acting under an alias as he never intended to refund clients or other victims, and he wanted to prevent detection from the bankruptcy court.

Mr B complained to RBS. He said he had fallen victim to an investment scam that had been perpetrated by a customer of theirs and he believed that they had failed in its procedures by opening an account for a fraudster. He also complained that RBS failed to identify suspicious activity on Mr B's account and failed to prevent the movement of funds through the account.

RBS considered Mr B's complaint, but declined to uphold it or refund any of his losses. Whilst they said they could not be specific about Mr B's account due to data protection laws, they said that with regard to the account opening, Mr B would have had to give the relevant identification and documentation at the time the account was opened. They explained broadly that upon receiving his report of fraud, they would have spoken to their customer to understand the circumstances in which they received funds and what claim they had to them. If they were unable to show that they had a right to funds, the account would be closed and a marker placed on their credit file. If they could, they would get to keep their account, and potentially the funds. They advised Mr B speak to his bank about raising an indemnity if they had not already done so.

Unhappy with RBS' response, Mr B escalated his concerns to our service. One of our investigators looked into what had happened and did not recommend that Mr B's complaint be upheld. In summary, they said that they thought that the matter amounted to a private civil dispute rather than a scam. But they said that even if they were to conclude it was a scam, they could not recommend the complaint should be upheld. This was because the account was opened before our service could consider such matters, with this only coming within our jurisdiction in 2019. We can consider the account activity here, but they said that at the time Mr B made the payment to the RBS account, there was no evidence of a failing by RBS in the monitoring of their customer's account or their response when they were

notified that Mr A may have committed an authorised push payment ('APP') scam. So, they did not think it would be fair and reasonable to ask RBS to reimburse E's losses.

Mr B on behalf of E did not accept this view. Through its representatives, he said that:

- RBS's customer was a known fraudster with numerous victims who sent tens of thousands of pounds to the personal RBS account;
- Had they intervened, they would have seen that their customer was taking money for investments despite being a known fraudster and not having regulatory authority to do so;
- They did not think RBS could have done the necessary due diligence for such large payments entering a personal account, as if they had it would have likely exposed the scam and prevented this loss as the scammers would not have been able to account for why such large sums of money were moving through the account. There would also be no evidence of using the funds for legitimate purposes like business expenses or paying returns.
- He did not receive what he paid the £7,000 for – he was paying for expert advice and access to a legitimate scheme, not for false advice from a convicted fraudster with no expertise;
- The orchestrator had been charged with numerous counts of fraud and taken a huge amount of money into their account

Our investigator looked into the complaint again. They said that there was no paperwork provided about the £7,000 to show exactly what this was for, or whether it was being sent on behalf of E or Mr B. They also asked for source of funds information, showing the funds leaving E's account and where they came from prior to that if they had not been sat in the account. They asked for the evidence of communication with the scammer about what this payment was for. Mr B and E's representatives said they could not get this information from their customer.

Our investigator clarified that even if they concluded that this had been a payment made as part of a scam, at the time of the payment there had been no prior issues raised about the account and there was nothing about its operation that ought to have given rise to concerns by RBS. They explained there were some points they had considered, but could not fully address for data protection reasons.

As no agreement could be reached, the case has been passed to me to decide.

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 reached the same overall conclusion as our investigator, and for broadly the same reasons.

The CRM Code

RBS has signed up to the Contingent Reimbursement Model (CRM) Code. The CRM Code sets out what is expected of the 'Sending Firm' and 'Receiving Firm' (in this case RBS) when payments are made or received.

In summary, the obligations for the receiving firm state that firms should:

- Take reasonable steps to prevent accounts from being used to launder the proceeds of Authorised Push Payment (APP) scams.
- Have procedures to prevent, detect and respond to the receipt of funds from APP

scams; and

- Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

So, with this in mind, I have carefully considered RBS' obligations here. It should be noted that RBS has shared information with this service as part of its obligations under the CRM Code which has allowed me to investigate E's complaint – though I am limited to what I can share with Mr B and E due to Data Protection laws, as this information is confidential.

However, I would like to reassure Mr B that I have carefully reviewed all information provided before issuing my decision.

Our investigator was not satisfied that there was enough evidence to say that the £7,000 was sent as a result of a scam rather than a private civil dispute. The purpose of the funds being sent appears to have been for investment advice and access to an investment. We do have evidence that a subsequent payment to another account of £50,000 does appear to have been as a result of a scam. But, I have not seen any evidence pertaining to this £7,000 payment, what it was for, or what was agreed. Whilst I haven't ruled out with certainty that this payment was also made as a result of a scam, without this evidence, I cannot say it is more likely than not that this payment was made as a result of a scam.

I appreciate that one or more of the characters involved in this enterprise has been charged with offences, but it is unclear whether this payment relates to this, or whether it is the payment made to the account held in another person's name. And so there is not enough to say that when the £7,000 it was part of a scam, or that the funds were taken with the intention of defrauding E here.

However, even if I were to conclude that this payment was made as a part of a scam, I do not think that RBS did anything wrong here. I'll explain why.

As our investigator explained, the account was opened before this kind of activity was brought into the jurisdiction of this service. And so, I am unable to consider the due diligence that RBS conducted prior to opening this account.

I am able to consider the activity on the receiving bank account, and whether it ought reasonably to have caused RBS any concern. Whilst data protection reasons mean I cannot share any information with E, I do not think there was anything relating to the activity on the account that should have prompted RBS to have any concerns prior to E making the payment to the account. And even if it did, as I do not have enough evidence that this payment was made as a result of a scam, it follows that I cannot say with any level of certainty that any interventions would have prevented the payment from ultimately being processed.

I have finally considered whether RBS responded in line with expectations upon notification of the scam. By the time they were made aware in 2024, the account was no longer operating or containing funds so there was nothing available to be returned to E. And in any event, I think it would be reasonable for RBS not to return funds unless further evidence around this payment had been provided to show it was made as a result of a scam. So, as things stand, I don't think it's fair and reasonable, to require RBS to refund E.

My final decision

I do not uphold this complaint.

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

Katherine Jones
Ombudsman