

The complaint

Mr and Mrs R are unhappy that Bank of Scotland plc trading as Halifax ("Halifax") won't refund them for money they lost to a purchase scam.

What happened

I'm not going to cover all the points raised in detail. The view of 6 January 2025 covered the timeline of the transactions and the details of Mr and Mrs R's testimony. But briefly Mr and Mrs R were looking to purchase a small pre-designed property. A friend sent them a link to the company (I will refer to as S)'s social media site. Mrs R began communicating with two individuals – one I will refer to as N and the other I will refer to as V.

Mr and Mrs R made two payments totalling £16,050: one payment to start the process and a second payment for further materials. The remaining balance was due before the house would be delivered to their home address at the end of October 2023. But just before the property was due to be delivered the company stop communicating with them.

Halifax originally concluded this was a scam but said the payments weren't unusual or out of character.

Our investigator didn't uphold the complaint. He didn't think the individual payments looked suspicious such that Halifax ought to have made additional checks before processing them.

Mr and Mrs R didn't agree so the complaint has been passed to me for a decision.

I wrote to Halifax informally, explaining I was intending on upholding this complaint. I granted a further extension which passed without response, so I issued my provisional decision on 9 June 2025.

Mr and Mrs R accepted my decision. Halifax did not. It now questions whether these were the actions of a company acting fraudulently. It also said the payments weren't unusual and even if it had intervened, it's unlikely there would have been anything to raise scam concerns.

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 have considered Halifax's response to my provisional decision, but I am not persuaded to reach a different outcome. For completeness I have addressed Halifax's additional comments along with the content of my provisional decision below to form my final decision.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

It's not in dispute that Mr and Mrs R authorised the payments from their account, albeit not realising they were being scammed. So, the starting position – in line with the Payment Services Regulations 2017 – is that they are liable for the transactions.

I have considered Halifax's additional points as to whether these were the actions of a company acting fraudulently. I would refer Halifax back to its internal case report in which it had already carried out a detailed investigation into S and its associates and, in my view, reasonably concluded this was a scam. In particular Halifax found:

- Customer was made aware of the company through a friend who knows one of the owners.
- Customer received architectural plans and construction updates.
- Customer only communicated through social media and a social media messaging site
- No terms and conditions given.
- Customer didn't receive any documentation other than invoice and photos of architectural plans and construction updates.
- An image search on the adverts N's social media page revealed all of the photos had been stolen from other companies.
- N was a company director of a company with the same name (S) with another person in the UK - this company dissolved in July 2021.
- V's business-oriented social networking site revealed the images had also been stolen from other companies and then used to advertise their business.
- V has now set up another company on company's house using N's address but V's surname in November 2023. The company director seems to be a relative to N as they have the same surname.
- Although Mrs R lives near N, she didn't meet him in person.

Whilst there appear to have been proposals to refund or import the incomplete property – communications do seem to have come to an end with N and V ceasing contact (for example N left the group chat). I think if those proposals had been genuine that would have happened by now. We are over 18 months on from that point. Overall, and on balance I am satisfied this was a scam.

So, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in July 2023 that Halifax should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- 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). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment;

- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

And from 31 July 2023

have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;

I've reviewed Mr and Mrs R's bank statements prior to the two disputed transactions. I note four large transactions to 'A' in January 2023 – over six months before the scam. I don't think these are usual/day to day transactions and in fact stand out to me as very unusual payments in themselves.

A appears to be a UK business whom Mr R worked for. The payments are reference loan and incoming payments from the same company can be seen before and after the January 2023 transactions.

There are further faster payments regularly to an individual – but these are much smaller.

Halifax accepts international payments were unusual for Mr and Mrs R and I think the individual sums *were* unusual when looking at the regular day to day activity and so warranted further intervention beyond the written warning it provided.

In respect of whether intervention would have made a difference I have considered Halifax's additional points carefully. I accept this is finely balanced and I agree there were some sophisticated aspects to this scam (pictures, floor plans), but I think (as the professional) a couple of simple questions would likely have revealed a scam. I think Halifax would have been concerned that the consumers found the opportunity via social media (albeit recommended by a friend) and that communications were only on social media. The consumers also hadn't met the people from the company in person and were purchasing a pre-made property from abroad. Asking the consumers if they'd checked the company further would likely have revealed that S was showing as a dissolved company on company's house. I think this would have been concerning enough in itself and Mr and Mrs R would likely not have proceeded with the payments.

I'm also not persuaded by the points Halifax highlighted in its final response letter and internal notes regarding Mr and Mrs R's contributory negligence. More recently given its concerns as to whether these were the actions of a company acting fraudulently, I don't think making a deduction from the refund would be fair or reasonable.

In particular, Halifax originally agreed this was a sophisticated scam and came about based on a personal recommendation of a friend. There was a considerable amount of paperwork/invoices and pictures of the project. I appreciate to the trained eye and with the benefit of hindsight, there may have been some 'red flags' that Mr and Mrs R might have picked up on. But overall, and in the circumstances their response was not unreasonable.

Putting things right

In order to put things right for Mr and Mrs R, Bank of Scotland plc trading as Halifax should

Refund Mr and Mrs R in full so £16,050

Because Mr and Mrs R has been deprived of this money, I consider it fairest that Halifax add 8% simple interest to the above from the date of the transactions to the date of settlement.

If Halifax is legally required to deduct tax from the interest it should send Mr and Mrs R a tax deduction certificate so they can claim it back from HMRC if appropriate.

My final decision

My final decision is that I uphold this complaint, and I require Bank of Scotland plc trading as Halifax to put things right for Mr and Mrs R as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R and Mr R to accept or reject my decision before 7 August 2025.

Kathryn Milne
Ombudsman