

The complaint

Mr and Mrs E complain that THE CO-OPERATIVE BANK P.L.C. ('Co-Op') hasn't reimbursed the money they believe they lost to an authorised push payment ('APP') scam.

What happened

Mr and Mrs E's vehicle had failed an MOT; the engine failed the emissions test as the turbochargers had blown. They looked for a garage that could replace the engine and twin turbochargers. Mr and Mrs E came across a garage, that I'll call 'Garage A', on a well-known e-commerce platform. They contacted Garage A and also visited their premises. Garage A had a reconditioned engine and advised it could carry out the work and install the reconditioned engine and replace the turbos for £8,000.

Mr and Mrs E decided to go ahead paying £4,000 upfront with the remaining £4,000 becoming payable upon completion of the work.

Mr and Mrs E received notification from Garage A that the work had been completed. They attended the premises and saw that the vehicle and engine were seemingly working. Mr and Mrs E paid Garage A the remainder owed. As the vehicle hadn't passed an MOT, due to some other defects/advisories that needed addressing, Mr and Mrs E paid for it to be returned to their property via transport.

When Mr and Mrs E subsequently took the vehicle for its MOT, the engine failed as it was being placed on the inspection pit, having only done approximately seven miles. Mr and Mrs E called Garage A who advised them to return the vehicle. Mr and Mrs E paid to return the vehicle to Garage A who ultimately denied any wrongdoing on their part.

Garage A advised that due to the vehicle not having a valid MOT it could not be taken for a test drive following the works it had completed. It explained that it had subsequently carried out a diagnostics test and it was found that the Diesel Particulate Filter ('DPF') had soot accumulation and this caused the back pressure through the twin turbos and also caused the intercooler to fail as it was filled with oil. It advised it would have performed a DPF regeneration if the vehicle was test driven or if the warning light was illuminated while the vehicle was in its garage, but it explained the light was not illuminated. It also said the cause of the DPF blockage can be caused by short journeys at low speeds and it didn't know how the vehicle was used before the work it had undertaken and whether it was a prior issue before the reconditioned engine was fitted. As a result, it took a decision to void the warranty for the parts it had fitted.

Mr and Mrs E took their vehicle back from Garage A and had an independent engineer carry out a diagnostics test. The report advised; the right hand turbo charger was not new or reconditioned; it is impossible for a soot blocked DPF to over pressurise a turbo charger and cause the turbo oil seals to pass oil into the engine and the DPF takes many miles to become blocked with soot from normal engine operation and not the five to seven miles the 'reconditioned' engine had ran. The report concluded that:

“It is my professional opinion that a turbocharger failed, and due to the right hand side one not being “new” or “reconditioned” this is likely the one that has failed, once the bearings within a turbocharger fail engine oil under pressure can get into the intake system, the engine then continues to run on its own engine oil and goes into a runaway situation where the engine rpms go high until the engine explodes, burning engine oil is what causes the DPF to become blocked very quickly, the engine ECU cannot shut a runaway diesel down as it has no control over the fuel supply.

This vehicle had done approximately 5 to 7 miles since a supposedly full engine rebuild costing over £8k, the right hand turbocharger is not new or reconditioned therefore [Mr E] has not received what he paid for.”

Mr and Mrs E contacted another company to have the engine replaced and similar observations to the independent engineer were made on the work carried out by Garage A and the reasons for the engine failure. It added that the turbos had been painted black to make them appear possibly newer than they were and the turbo wasn't new and was likely leaking causing the engine runaway. It concluded that:

“In our professional opinion the previous work was carried out to sub-standard level. The used and likely faulty (i.e. leaking) turbo having been fitted caused the engine runaway...and eventually seizes up after all the engine oil has been consumed.

In summary, root cause in our professional view was a leaking turbo...”

Mr and Mrs E consider Garage A deliberately and fraudulently misrepresented the part it installed as new, when it wasn't, and it resulted in the engine failure. They consider it was a premeditated scam carried out by Garage A.

Mr and Mrs E complained to Co-Op about the matter as they considered they were the victims of fraud and should therefore be reimbursed the £8,000.

Co-Op considered the matter under a voluntary code called the 'Contingent Reimbursement Model' (the CRM Code). The CRM Code was in force at the time Mr and Mrs E had made the payments and to which Co-Op was a signatory.

The CRM Code provided increased protection for customers who are the victims of scams. But the CRM Code didn't apply to every type of disputed payment. The CRM Code applied to victim's payments that met its definition of an APP scam. And the CRM Code didn't apply to payments that are deemed to be a 'civil dispute' between two parties.

Co-Op ultimately deemed the matter was a civil dispute between Mr and Mrs E and Garage A. So, it considered the CRM Code didn't apply to the payments Mr and Mrs E had made.

Unhappy, Mr and Mrs E referred the matter to our service. One of our Investigators reviewed the matter. In short, they didn't uphold the complaint, as they also considered the matter was a civil dispute – and therefore said the CRM Code didn't apply, meaning they didn't consider Co-Op was liable to refund Mr and Mrs E.

Mr and Mrs E disagreed and has asked for an ombudsman's review as the final stage of our process.

Mr and Mrs E advised that there had been a police investigation into those connected with Garage A and a trial date is scheduled for January 2026. Mr and Mrs E say the charges being brought are for fraud by false representation, participating in fraudulent business and concerns in the management of a bankrupt company. They say there are 37 victim cases, but only 17 will get to court as that is sufficient to convict.

As the matter hasn't been resolved, it's 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.

Mr and Mrs E have made detailed submissions in support of their complaint. I would like to assure Mr and Mrs E that I've read and considered everything they've sent in. I'm aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here – which is whether Co-Op acted fairly in its answering of the complaint that the matter is a civil dispute, and it is therefore not liable to reimburse Mr and Mrs E under the provisions of the CRM Code. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

In deciding what's 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 time.

I'm very sorry to hear of what's happened to Mr and Mrs E. They paid money in good faith to Garage A in order to have their vehicle's engine replaced with a reconditioned engine and turbos. And they were clearly let down by Garage A which has not only left them out of pocket but has affected their health and well-being as well.

But having thought carefully about Co-Op's actions, I don't uphold Mr and Mrs E's complaint. I do appreciate how bitterly disappointing this will be for them, but I don't think Co-Op has acted unfairly in its answering of the complaint that the matter is a civil dispute and that it is therefore not liable to reimburse them under the CRM Code. I'll explain why.

The starting position in law is that Mr and Mrs E will generally be considered liable for authorised payments. It's accepted that they authorised the payments in dispute and so they are liable for them in the first instance. At the time Mr and Mrs E made the disputed payments, Co-Op was a signatory of the CRM Code. The CRM Code provided additional protection from APP scams, but only in certain circumstances.

When Co-Op received Mr and Mrs E's claim, it said it didn't think they'd been the victim of an APP scam and that they had a civil dispute with Garage A, meaning it didn't need to reimburse them under the provisions of the CRM Code because it didn't apply to their circumstances. For me to say that decision was wrong – and Co-Op should've refunded Mr and Mrs E's payments in full – I'd first need to be satisfied that the CRM Code *is* a relevant consideration in the circumstances.

The CRM Code can only apply where the victim's payment meets the CRM Code definition of an APP scam.

Under DS1(2)(a) of the CRM Code, an APP scam is defined as:

“(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.”

And DS2(2)(b) of the CRM Code says it doesn't apply to:

“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”

There's been no suggestion made that Mr and Mrs E were deceived into transferring their funds to a different person. So, DS1(2)(a)(i) doesn't apply in these circumstances.

To uphold Mr and Mrs E's complaint under DS1(2)(a)(ii) of the CRM Code, I'd need to be reasonably satisfied that it is more likely than not that Garage A received their payments for a fraudulent purpose. So, I've carefully considered whether the evidence suggests that Garage A was most likely the "legitimate supplier" of goods and services or whether Mr and Mrs E's payments meets the CRM Code definition of an APP scam.

The *purpose* of a payment forms part of the CRM Code definition of an APP scam. As such, the reason Mr and Mrs E made the payment is a relevant consideration when determining whether the CRM Code applies in these circumstances or not. For me to say the CRM Code applies in this case, I need convincing evidence to demonstrate Mr and Mrs E were dishonestly deceived about the very purpose of the payments they made.

Mr and Mrs E paid Garage A for a reconditioned engine and turbos to be fitted to their vehicle. The vehicle was taken to Garage A's premises and that work was carried out. Garage A fitted a reconditioned engine and two turbos. So, the purpose Mr and Mrs E had for paying Garage A aligns with the purpose Garage A had for receiving the money. So, I can't safely conclude that Garage A received Mr and Mrs E's funds for fraudulent purposes when it carried out the work, presumably at a cost – when considering labouring costs to fit and install the reconditioned engine and turbos.

It's clear, that the crux of the dispute here is that there is a dispute about the quality of one of the parts that were installed and the standard of work Garage A carried out. The two independent reports that Mr and Mrs E obtained suggest that there wasn't anything seemingly wrong with the reconditioned engine, nor the left-hand side turbocharger with one report stating it appeared to be new and very clean. But the reports indicate the other, right-hand turbo, was likely not a new or reconditioned turbo. And the reports indicate the right-hand turbo was also likely leaky, which caused the engine runaway and seizure. So, there is a dispute about the quality of the part Garage A used.

Garage A, when the vehicle was returned after the engine failure, ran its diagnostic report and said that it was the DPF having soot accumulation that caused back pressure on the turbos. Both independent engineers disagreed with that assessment – advising it was the right-hand turbo which led to the engine failure (and as a result caused additional rapid and excessive soot accumulation).

So, I can see why Mr and Mrs E consider Garage A were dishonest in their dealings and didn't use a reconditioned turbo as was agreed.

Based on the independent reports, it seems more likely than not that the right-hand turbo wasn't new or reconditioned and that it was the ultimate cause of Mr and Mrs E's vehicle's engine failing. Given individuals linked to Garage A are due to stand trial for fraudulent misrepresentation, I think it's possible that Garage A knew the part wasn't fit for purpose. But I also have to bear in mind there is the possibility Garage A considered the part was reconditioned and was sufficient when I take into account that it installed the reconditioned engine and other turbo which seemingly didn't have any issues.

However, the quality of the goods and services (here the parts used and the standard of work carried out) and any dissatisfaction a customer has with the supplier about the goods and services, are clearly stated as not being catered for under the CRM Code. Where there is a dispute about the quality of goods or services provided – the CRM Code isn't intended to provide reimbursement and disputes of that nature need to be settled between the parties through alternative methods.

Given what happened and their dealings with Garage A, I can certainly see, through their eyes, why Mr and Mrs E consider Garage A scammed or conned them. But, and importantly, the test I have to apply is whether the CRM Code's definition of an APP scam has been met in order for the CRM Code to apply and for Co-Op to be liable to re-imbure them. And despite what happened here, I'm not satisfied that definition has been met.

Across all the information I've seen, it does appear that Garage A operated with sharp business practices – and may face the consequences in court. However, I'm not persuaded this is sufficient to say Garage A set out to scam Mr and Mrs E from the outset – in line with the CRM Code's definition of an APP scam. Had Garage A intended to scam Mr and Mrs E and take their money, it is likely they wouldn't have carried out any work. Here, a considerable/substantial amount of work was carried out by Garage A, with the reconditioned engine being fitted and the replacing of the turbos – but in doing so used a turbo that it arguably misrepresented as being reconditioned. So, Mr and Mrs E certainly have a dispute with Garage A over the quality of the part that was used. And Mr and Mrs E and Garage A are the ones who need to resolve that dispute. It seems therefore to me that this matter is a civil dispute and is best settled through alternative means such as through court.

I appreciate that those relevant individuals connected with Garage A are due in court for charges relating to fraud by false representation amongst other charges. Should, as a result of the court case, any new material information come to light then Mr and Mrs E can provide that information to Co-Op and ask it to reconsider their claim for reimbursement under the CRM Code.

I appreciate Mr and Mrs E have highlighted that another individual has received a refund of their losses. But I can't comment on the outcome of other claims or complaints or the reasons a financial firm chose to reimburse. For Mr and Mrs E's benefit, other firms may choose to reimburse its customer as a gesture of goodwill, or other customers may have made payments through other methods such as debit or credit card which can offer further protection under various schemes such as 'chargeback' or 'Section 75 of the Consumer Credit Act'. However, I can only consider the circumstances of the complaint before me when deciding what's fair. Here Co-Op declined reimbursing Mr and Mrs E as it deemed the matter was a civil dispute and is something not covered by the provisions of the CRM Code. And my role is to determine whether Co-Op acted fairly in reaching the outcome it did.

I have a great deal of natural sympathy for Mr and Mrs E. Clearly, they didn't receive the level of goods or service they expected and have been left out of pocket. Garage A had questionable business practices which they and many others are dissatisfied with. However, I'm not persuaded there's sufficient evidence currently available to say Garage A obtained Mr and Mrs E's payment for a fraudulent purpose as the reconditioned engine and turbos were fitted. And the dispute over the quality of the part used in relation to one of turbos or the standard of the work carried out is something not covered by the provisions of the CRM Code. So, I can't say that Co-Op acted unfairly or unreasonably in treating Mr and Mrs E's claim as a civil dispute between them and Garage A. I would add that while there are provisions under the CRM Code relating to 'vulnerability' – this would only become relevant if I was persuaded Mr and Mrs E did fall victim to an APP scam meaning the CRM Code was applicable.

Finally, I'm also satisfied that there wasn't anything else Co-Op could have done to either prevent the loss when Mr and Mrs E initially made the payments or recover any funds subsequently. I say this because Mr and Mrs E believed they were genuine payments being made for a genuine purpose – so I don't think any potential warning Co-Op may have given would have prevented them from proceeding with the payments at the time. And as the payment wasn't made by debit or credit card, the various schemes available that offer protection to those methods of payments weren't available to Co-Op or Mr and Mrs E either. So, I don't find there were any other failings by Co-Op that would lead me to consider it would be liable for some other reason.

My final decision

For the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Mrs E to accept or reject my decision before 6 February 2026.

Matthew Horner
Ombudsman