

The complaint

S, a limited company, complains that Santander UK Plc have declined to refund them for payments they now believe to be fraudulent. They'd like the funds returned to them.

S has appointed representatives to help with this complaint. But for ease of reading, I'll refer only to S, and Mr W who is a director.

What happened

In 2022 Mr W was introduced to an individual who said they could help S grow their finances. Mr W visited their offices, and was persuaded to invest in two companies – I will refer to these as X and Y.

Mr W then made a series of transactions from S to X and Y's accounts in the expectation of receiving a bond.

Date	Payee	Amount
10 October 2022	X	£15,000
25 October 2022	X	£12,000
22 December 2022	Y	£10,000
23 December 2022	X	£60,000
30 December 2022	Y	£12,000
3 January 2023	X	£60,000
6 January 2023	Y	£30,000
17 January 2023	Y	£3,000

Mr W expected to receive a return in February 2023. S received two payments from Y, totalling £51,750. However, Mr W later came to believe that the entire investment was fraudulent. He contacted Santander to raise a scam claim.

Santander looked into what happened, but thought it was a civil dispute, so they were not obliged to refund S.

Dissatisfied with this Mr W referred S' complaint to our service. Our investigators have issued several opinions on the outcome of the case, and our jurisdiction to consider it. The most recent did not think the complaint should succeed. Our investigator reasoned, in summary:

- The payments had all been correctly authorised, so the starting position in law is that Santander aren't obliged to provide a refund
- It wasn't entirely certain that S had fallen victim to a scam, but the investigator accepted it could be.
- They said if a payment was particularly unusual they may expect Santander to intervene and ask further questions. But here, had Santander asked more about any payments, they weren't persuaded this would have raised any concerns – as S was paying accounts associated with X and Y, and at the time felt these were legitimate

- investments.
- The investigator didn't think Santander could have done more to help S recover the funds from the receiving banks.

Mr W disagreed, saying that Santander ought to have questioned the payments before they left S' account. He said Santander had charged a fee for the payments, which included a security check. But this hadn't taken place.

As no agreement could be reached the complaint 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 don't see that Santander need to do anything further. I appreciate this will be disappointing to Mr W, but I'm not persuaded Santander ought reasonably to have prevented any loss here.

I note Mr W has also referred to a payment of X of £230,000, which I believe took place in April 2022. But I can't see that this payment has been discussed with Santander or had a claim raised about it. So, I haven't considered this here – which is why I have not included it in the table set out above. But I've taken it on board as relevant background information.

There's no dispute here that the payments to both X and Y were requested by S, and authorised correctly. Under the relevant regulations in relation to payments – the Payments Services Regulation 2017 – if a payment has been authorised correctly, then the expectation is that the bank makes at the payment promptly. There's no expectation that the bank should provide a refund if a correctly authorised payment is later found to be for a fraudulent purpose. So, the starting position is that Santander aren't under an obligation to refund S.

At the time of the transactions Santander were signed up to the Lending Standard Board's Contingent Reimbursement Model (CRM) code. This was a voluntary code, whereby the signatory firms agreed to refund victims of authorised push payment scams, subject to certain conditions. But the code didn't cover every type of customer the bank had – for business customers the code only covered "*micro-enterprises*". This is an enterprise with fewer than 10 employees, and either assets or turnover less than €2million.

But looking at S' accounts for 2022 – the reference year for when the payment was made, they were too large a business to be considered a micro-enterprise. The assets and turnover of S were above €2million, so they wouldn't qualify. As such, even though Santander assessed this claim under the code initially, I don't see that the CRM code is a relevant consideration here.

But Santander, like all regulated banks in the UK, have ongoing obligations to monitor accounts and payment activity to look for signs of financial harm – such as fraud or money laundering. If a payment looks out of place, or unusually high-risk, I may expect Santander to intervene and ask further questions. The hope here is that any scam comes to light, and the payment is prevented.

There is a balance to be struck between allowing customers to transact freely and questioning the purpose of every payment transaction. So, any intervention would need to be proportionate to the perceived risk.

Mr W has argued that Santander made a mistake in not intervening here, and questioning why the payments were being made. And his comments that he paid a fee, and no fraud check seems to have been undertaken. I've considered this point carefully. But there's nothing here to say Santander didn't carry out any fraud checks – most are carried out by automated systems. It's only if something particularly out of the usual that a manual checks, such as a discussion with the customer about the payment, would be reasonable.

No manual reviews of these payments happened. I'm not necessarily persuaded that any of the payments were so significantly out of character for S' account that these should have been prevented or held up for further review. But I've also considered whether even if they had, would this have prevented any losses to S. And I'm not satisfied that this would be the case.

At the time Mr W was convinced that he was making legitimate investments to X and Y. If Santander had intervened and asked him any further questions, I'm sure Mr W would have answered honestly. And I don't see that the answers he would have given to any questions would have raised any particular concerns, such that Santander would have thought S was falling victim to a scam. I say this because:

- The payment was being made willingly, and there's no suggestion of coercion.
- Mr W would confirm he had met the individual behind X and Y personally, and they had discussed the investment and expected returns. So, he clearly wasn't communicating with an unknown third party.
- After the first set of payments each to X and Y these would have been known payees, with no reported issues. This would lessen any perceived risk associated with the later payments.
- Mr W would have been able to provide the paperwork for each payment, showing what the money was being sent for. The paperwork does not look fraudulent and matches the intended purpose.
- Both X and Y are companies registered with Companies House from well before S began paying them. The directors and people with significant control match the individuals Mr W had been speaking to.
- A check would have shown the receiving accounts were in X and Y's respective names – this would have been confirmed using the confirmation of payee system. At the time one of the receiving banks wasn't signed up to this system, but had Santander contacted that bank they would have confirmed the name on the account was accurate.

I don't see that an intervention would have raised any concerns, such that Santander would reasonably be expected to warn Mr W that this could be a scam, or to have declined any of the payment instructions. At the point of payment there were no signs of fraud, scam, or misrepresentation. The payments were being made for a seemingly legitimate purpose. And it wouldn't be unreasonable for Santander to expect a business the size of S to have carried out their own due diligence before deciding to invest.

It was only later that Mr W came to believe S had been the victim of a scam. Even with the benefit of hindsight, Santander felt this was more likely a civil dispute rather than a deliberate attempt to defraud S. It seems unlikely that had Santander probed the purpose of any of these payments at the time, they would have reached the conclusion that S was falling victim to a scam.

I can see Santander contacted the receiving banks, but the receiving banks ultimately declined to return any funds. So, I don't see that Santander could have done anything further here.

I appreciate Mr W feels very strongly that he's been the victim of fraud here. But my role is to assess whether Santander should have reasonably prevented any loss to S. And for the reasons given above, I'm not persuaded they should have. It follows that I can't reasonably direct them to refund S.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 13 October 2025.

Thom Bennett
Ombudsman