

The complaint

Mr T complains Nationwide Building Society (“Nationwide”) didn’t reimburse him after he fell victim to a sophisticated investment scam.

What happened

Mr T was informed about an investment opportunity with a company I will refer to as “V” by an FCA regulated individual. Interested, Mr T attended webinars and face to face meetings with the directors of V. He also received product literature about V which appeared detailed and professional looking.

After completing some further research online, Mr T decided to invest and transferred £75,000 from his Nationwide account to a personal account held by one of V’s directors in August 2022. Mr T received returns amounting to £12,077.76 in relation to his investment but the returns soon stopped and Mr T was told that the FCA had started an investigation into V and halted all of its activities.

Mr T raised a scam claim with Nationwide but Nationwide declined to offer him a refund of the amount lost. It said it was waiting for industry guidance as to whether Mr T’s circumstances could be treated as an APP scam.

Unhappy with Nationwide’s response, Mr T referred his complaint to our service and one of our investigators looked into things.

The investigator thought it was more likely than not that V was operating as a scam and that it was reasonable to reach this conclusion ahead of the FCA completing its investigation into the activities of V. They therefore assessed the complaint under the Lending Standards Board’s Contingent Reimbursement Model (“CRM”) Code and said they didn’t think any of the exceptions to reimbursement as set out in The Code could fairly be applied to Mr T’s circumstances. They therefore recommended Nationwide pay Mr T a full refund of the amount lost as well as 8% simple interest from the date they issued their view on the complaint to the date of settlement.

Mr T accepted the investigators findings but Nationwide did not. It agreed that Mr T had likely been the victim of a scam but it declined to reimburse him under the provisions of the CRM Code.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

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 agree with the outcome reached by the investigator, for the same reasons. I’ll explain why in more detail below.

Has Mr T been the victim of an APP scam, as defined in the CRM Code?

As Nationwide has now accepted that Mr T has been the victim of an APP scam as defined in the CRM Code, I don't intend to touch on this point further here. The only thing now left for me to decide is whether Nationwide should reimburse Mr T under the provisions of the Code.

Is Mr T entitled to reimbursement under the CRM Code?

It isn't in dispute that Mr T authorised the payments now under discussion here. Because of this the starting position – in line with the Payment Services Regulations 2017 – is that he is liable for the transactions in the first instance. However, that isn't the end of the story. Nationwide has signed up to the voluntary CRM Code, which provides additional 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). So, I've gone on to consider whether Nationwide should refund Mr T under the provisions of the CRM Code. There are generally two exceptions to reimbursement applicable to Mr T's case within the Code:

- Mr T ignored an 'Effective Warning' at the time of making the scam payments.
- Mr T made the payments without a reasonable basis for believing that they were for genuine goods or services; and/or V was legitimate.

Did Mr T have a reasonable basis for belief?

I have firstly considered whether Mr T had a reasonable basis to believe V was a legitimate company providing a genuine investment product at the time he made the payments now under discussion here. In doing so, I have taken into account that Mr T:

- was recommended the investment by a long-term friend who was regulated by the FCA and who said that they themselves had received returns via the scheme.
- had received professional and convincing looking product literature.
- been able to look up V online and not seen anything untoward.
- attended webinars and been able to discuss the investment with its directors' face to face.

Considering all of the points above, I think there was enough to reasonably convince Mr T that this was a genuine investment he could trust. Nationwide, as the industry expert, was until recently of the opinion that V may have been operating legitimately and so it wouldn't seem reasonable to suggest that Mr T's belief in 2022, when far less information about V was available, had no reasonable basis. With this in mind, I don't think Mr T made his payments without a reasonable basis of belief that V and the investment itself was genuine. I therefore do not think Nationwide can apply this exception to reimbursement.

Did Mr T ignore an "Effective" warning?

Nationwide has said it did provide an effective scam warning in regard to the first payment that left Mr T's account. It has provided this service with a copy of the warning that would've been presented to Mr T at the time. Nationwide has said this warning was on screen for 18 seconds and then Mr T went ahead with the payment. Nationwide argues that had Mr T followed the instructions detailed in the warning, his loss could've been prevented.

I agree with our Investigator that when considering the principles of the CRM Code I don't think the warning presented to Mr T at the time could be considered "Effective". But in any event, I'm mindful the CRM Code explains that a firm, in assessing whether an exception to reimbursement applies such as ignoring an effective warning, has to take into account whether it would have had a "material effect on preventing the APP scam". Here, for reasons explained above, I'm satisfied that Mr T had no reason to believe that V wasn't a genuine investment company at the time – so even if Mr T had been presented with a better warning, I'm not persuaded that it would've had a material effect on preventing the scam - such was his belief in V and that things were legitimate. So, I do not think an exception to reimbursement can be applied for this reason either.

Nationwide hasn't said whether or not it provided effective scam warnings for the remainder of Mr T's payments. It follows that it hasn't been able to demonstrate that Mr T ignored effective warnings in relation to these payments either.

In summary, I'm not satisfied that Nationwide has been able to demonstrate that any of the exceptions to reimbursement under the CRM Code apply to Mr T's circumstances. It follows that I'm satisfied Nationwide should reimburse Mr T under the provisions of the CRM Code in full.

Putting things right

Nationwide should reimburse Mr T the total amount he lost to this investment scam taking into account any returns received.

Nationwide should also apply 8% simple interest from the date of the investigator's view to the date of settlement.*

I say this because the information our service has relied upon to uphold Mr T's complaint may not have been readily available to Nationwide when the scam claim was first raised. So, it's likely Nationwide would not have been able to identify the issues that led to the complaint eventually being upheld at this point.

*If Nationwide considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr T how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons given above, I uphold this complaint in full.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 9 January 2026.

Emly Hanley Hayes
Ombudsman