

The complaint

Mrs L complains that Nationwide Building Society won't reimburse funds lost from her account to fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

After attending a theatre show with a friend, Mrs L was told about a third-party, who I will refer to as Ms A, who could obtain tickets to major events and entertainment shows for discounted prices.

Mrs L was added to a local messaging group who had all joined for access to the discounted events. Mrs L paid for several events and was provided the relevant tickets. She eventually began purchasing more tickets for events throughout the year and set up a separate messaging group for her family and friends, who she also purchased tickets on behalf of.

Eventually, it transpired that Ms A had in fact been defrauding Mrs L, her friends and family, and a large group of individuals from the local community. While some of the earlier tickets were provided, it was discovered that Ms A had began advertising for events that didn't exist and failed to provide tickets for events people had already purchased.

Mrs L reported the matter to Nationwide, and it considered her claim against the principles of the Contingent Reimbursement Model (the CRM Code). Having done so, it decided to reimburse Mrs L's personal loss only. Mrs L was unhappy with this, as she felt Nationwide ought to have reimbursed the loss of family members and friends who had paid Ms A via her account. So she referred her complaint to our service for an independent review.

An Investigator considered Mrs L's complaint but didn't uphold it, concluding that the CRM Code did not apply in the circumstances of this complaint as victims that had sent funds to Mrs L for the onward transmission to Ms A had rightful claims with their banks.

Before issuing my decision, our service had sight of updated guidance issued by the Lending Standards Board (LSB) that set out that those victims did not have a rightful claim, and only Mrs L could recoup losses as the sending account to the fraudster. As such, I attempted to mediate with Nationwide, and suggested it now ought to reimburse the total loss that was suffered by all parties that paid Ms A through Mrs L's account, in line with the updated guidance.

Nationwide disagreed with my interpretation of the CRM Code and the updated guidance issued. As Nationwide disagreed, and has set out its reasons for doing so, I am now in a position to issue my 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

There is no dispute here that Mrs L authorised the transactions in question. And the starting position in law is that she will be held liable for the transactions authorised in the first instance. That is due to Nationwide's primary obligation to process payments in line with its customer's instructions, as set out in the Payment Services Regulations 2017.

However, Nationwide was a signatory to the LSB's Contingent Reimbursement Model (the CRM Code) at the time the payments were made. Under that Code, firms are expected to reimburse customers that fall victim to fraud, subject to a number of exceptions.

Nationwide has reimbursed Mrs L for the payments she made for her own tickets, and for those she purchased on behalf of immediate family. But it says it cannot reasonably be held liable for the payments she made on behalf of wider family members and friends as these don't fall within the scope of the CRM Code. So, I must first decide if the remaining disputed payments do fall within the scope of that Code.

I am satisfied the payments fall under the scope of the CRM Code. While the payments were funded by multiple third parties, they were sent on to an account by Mrs L for what she believed to be legitimate purposes, but which were in fact fraudulent.

Further, the LSB has acknowledged that not all eventualities were covered in the original iteration of the CRM Code—something that is not surprising given how fraud and fraudster behaviour regularly changes in order to circumvent fraud prevention systems etc. One of the changes was the emergence of multi-generation payments, which is a feature in this specific complaint. The LSB has since sought to rectify that, and ensure those intended to be reimbursed under the CRM Code are, in publishing further clarificatory guidance to its signatories.

In April 2023, the LSB published an update regarding the CRM Code's definitions and scope. Within that updated guidance, it provided further clarity on claims that involved multi-generation payments. The guidance sets out the following:

“Family and friend scams are multi-generation scams where the individual(s) send money to the scammer indirectly via the account(s) of a family member or a friend. The CRM Code applies to customers making a payment to a receiving firm (see DS2(1))¹. The LSB recognises that the Code, as drafted, reflects an assumption that APP scam cases are limited to payment journeys between two firms, and an assumption that there is only one customer who is a victim of each scam.

Family and friend scams should be assessed based on the payment journey ending with a

¹ “DS2(1) sets out that the Code applies to customers undertaking Payment Journeys: (a) between GBP-denominated UK-domiciled accounts, by any channel of push payment available to the Customer, such as in branch, on the phone, or online. (b) to the point of the first reception of funds in an account held by a receiving Firm (the first generation account). Firms whose accounts are utilised in the onward transmission of APP scam funds are out of scope.

The protections under the Code should, therefore, be applied to the payment between a customer's account at a sending firm and an account at a receiving firm. For the purpose of this Code, it is generally assumed that the payee account is that controlled by the scammer.”

payment to an account controlled by the scammer (an account held by the receiving firm). Family and friend scams can include complex payment journeys, multiple victims, and senders who may not have lost any funds of their own.”

In considering the above updated guidance, it is clear that the only valid CRM Code claim that can be brought here is by Mrs L; the CRM Code excludes those payments made by third parties to Mrs L's account. And the guidance has distinctly set out that in situations where multi-generation payments have been made, then the CRM Code ought to be applied to the payment(s) made from the sending firm—in this case, Nationwide.

Nationwide has made several arguments against this assessment. These are as follows:

1. The guidance only refers to payments between “family and friends” and therefore should only apply to close and established relationships where the payee is merely a conduit for paying the fraudster.
2. Nationwide isn't the only firm against which a valid claim can be raised.
3. There is a risk that reimbursing payments to Mrs L may not result in reimbursement to their original source.

I have already dealt with point two above, I will however address the other points raised.

Interpretation of “family and friends”

It is worth noting that every scenario that firms might encounter cannot reasonably be covered when drafting such guidance. There are always nuances and evolving tactics fraudsters use that cannot reasonably be anticipated. It is therefore important to carefully consider the broader guidance and take from that the spirit to which it was intended.

The updated guidance—by its own admission—recognises that the CRM Code, as it was originally drafted, reflects the assumption that frauds are typically limited to simple payment journeys between two firms. It therefore recognises in the footnote provided below that where payments are made indirectly to the fraudster, the CRM Code ought to be applied to the account that has directly paid the account in the fraudsters' control.

While the guidance covers this issue in an update sub-headed “family and friend scams”, it does not seek to exclude all other scenarios where a customer has sent funds indirectly. I also don't find the focus of this updated guidance to be the relationship between the transferring parties, but clarity on how to handle claims where the payment journey goes beyond the typical victim-fraudster payment. Family and friend accounts are typically used in multi-generation payments, so it's reasonable to infer that the LSB sought to clear up multi-generation payments in such an example.

Even were I to concede that this updated guidance only specifically relates to payments made between family and friends, I am still of the opinion that this scenario applies in the circumstances of this complaint.

Nationwide seeks to apply its own interpretation of what it considers to be a friend or family member. And it has suggested that this should be limited to close friends and immediate family members of that customer. However, the guidance does not make such a distinction.

Putting perceived definitions aside, the parties that transferred funds to Mrs L were largely known to her personally. Mrs L has told us that she set up a sub-group on a messaging platform to solely assist family and friends in obtaining tickets for events. And it is these people, along with *their* family and friends that transferred money to Mrs L for the onward transmission to Ms A. While I have not delved into the detailed extent of each personal

relationship, it is clear that the parties were known to each other personally. This goes beyond Nationwide's assertion, which suggests there was only a tenuous link between the parties.

I do understand the arguments Nationwide are making here. And I also acknowledge that the circumstances of this complaint are atypical to a vast majority of fraud cases it considers. But when considering the updated guidance set out by the LSB against the circumstances of this complaint, Mrs L does have a valid CRM Code claim regarding the additional payments made and cannot be excluded due to the payments deriving from a third-party source.

Reimbursement risks

I have already set out in detail in correspondence with Nationwide why I don't perceive the same risks it has identified, so I don't intend to cover this point in detail. But, for avoidance of doubt, I will summarise that:

- With the permission of Mrs L, all interested parties who have a rightful claim over the funds have been added to her complaint. That means that all parties are receiving updates in relation to the complaint and will receive a copy of the decision I have made.
- In the unlikely event that Mrs L cannot direct any reimbursement to any of these interest parties, they will be aware of any reimbursements that have been made and be able to seek recovery through alternative means.
- The existence of a perceived risk in reimbursing interested parties indirectly is not a fair or reasonable reason to dismiss the claim.
- Each claimants' payment has been cross referenced with the payments made to Mrs L's account, and our service has removed any claims where there has been a reimbursed or where they have legitimately received the services paid for.

Exceptions to reimbursement

As I have already highlighted, under the provisions of the CRM Code, firms are expected to reimburse customers that fall victim to fraud, subject to a number of exceptions. I have considered Mrs L's complaint against those exceptions, but cannot say any of them can be relied upon here.

This was an atypical fraud, in that it was targeted against a location-based community that knew one another personally. The fraudster—who was also known personally to a large proportion of the victims—also built trust in their victims by providing a number of legitimate tickets for events. Attendees would then post within the group chats about their experience and recommend the use of the fraudster's services.

This meant that not only were the services of the fraudster confirmed as legitimate, but those confirmations were made by known and trusted individuals, including family and friends.

For these reasons, there would have been little Mrs L or Nationwide could have done to prevent this fraud. Mrs L clearly held a reasonable basis for believing that she was making payment for legitimate services, and had Nationwide contacted Mrs L to find out the purpose of her payments, it likely wouldn't have held concerns. I also find that that the circumstances of this fraud meant that no tailored warning likely could have stopped Mrs L from proceeding.

Overall, I'm satisfied that no exception to reimbursement can be relied upon here.

In concluding

Nationwide has requested that our service seek clarity on the updated guidance from the LSB prior to issuing my findings. But I don't find that necessary in this case for the reasons I have highlighted above.

I find that the updated guidance is sufficiently clear and understandable to reach a fair and reasonable outcome. And that guidance is clear that the parties that sent funds on to Mrs L, for the onward transmission to the fraudster, do not have a valid CRM Code claim. Mrs L does, and therefore I find the remaining loss ought to be considered against the provisions of the CRM Code.

Having reviewed that claim, Mrs L is entitled to a full reimbursement of the outstanding loss.

Putting things right

Nationwide should now go ahead and reimburse the remaining outstanding loss that has been suffered from Mrs L's account. Our service has carried out an in-depth review of those losses and have calculated them to total £45,674.50.

A full breakdown of the individual reimbursements can be provided to Nationwide upon request.

I will not be awarding simple annual interest on this amount, as the loss has not been suffered by Mrs L. And as the account subject to this dispute is hers, I cannot say she had been deprived of those funds.

My final decision

For the reasons I have given above, I uphold this complaint and direct Nationwide Building Society to reimburse Mrs L £45,674.50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 4 December 2025.

Stephen Westlake
Ombudsman