

The complaint

Mr R complains that Nationwide Building Society ('Nationwide') won't refund the money he lost as a result of what he believes was a property investment scam.

Mr R brings his complaint with the assistance of a professional representative. For ease of reading within this final decision, I will refer solely to Mr R in the main.

What happened

The background to this complaint is well known to both parties, so I won't repeat it all in detail here. But in summary, I understand it to be as follows.

Mr R says that he was persuaded to invest with a company – that I'll refer to as 'Company H' in my decision. Company H was a private rental development company which offered loan notes to investors to raise money for its projects. It was the parent company of a group of companies. Mr R says the sale and rent of Company H's assets would later generate company income which would be used to pay investors returns.

Mr R invested with Company H in November 2018, making a CHAPS payment of £14,000 to Company H. Mr R also subsequently made other payments to Company H – and his dispute about those payments has been dealt with under a separate complaint reference with this service.

Company H has since gone into administration. Mr R believes the investment wasn't genuine and that he is the victim of a scam.

He complained to Nationwide in October 2024 advising Company H was operating a fraudulent investment scheme, and that Nationwide failed in its duty of care to prevent his loss. So, he thought Nationwide should reimburse him.

Nationwide didn't consider it was liable for his loss. It didn't agree it had done anything wrong. It considered Company H were a legitimate company that went into liquidation, and it therefore did not believe the investment to be a scam.

Unhappy, Mr R brought his complaint to this service. The Investigator who considered this complaint didn't recommend that it be upheld. They considered that even if Nationwide had intervened and questioned Mr R about the payment he was making, as there was no adverse information about Company H, it would have been satisfied it was a genuine payment and that Mr R wasn't at risk of financial harm.

Mr R disagreed and maintained that his complaint should be upheld, and Nationwide could have done more to prevent his loss. Mr R also says that Nationwide failed to comply with PAS 17271:2017 (the PAS Code) and the FCA Principles. And he has explained why he thinks Company H was operating a scam and a Ponzi scheme – referring to high commissions paid to introducers and to high interest rates as guaranteed returns. And he also says Administrators for Company H haven't offered any conclusions on the inter group transactions that are being investigated and certainly haven't concluded there was nothing irregular going on.

As Mr R didn't accept the Investigator's opinion, 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.

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.

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – in other words on what I consider is most likely to have happened based on the evidence available and the surrounding circumstances.

First, the CHAPS payment Mr R made was prior to the Lending Standards Board Contingent Reimbursement Model ('CRM') Code's implementation – and the CRM Code wasn't retrospective. So, it isn't an applicable consideration in this case.

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, in some situations, taking into account the law, regulations, guidance, standards, codes, and industry practice I have referred to above, (including the PAS Code), businesses such as Nationwide shouldn't have taken their customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

I accept Company H failed to deliver what was expected from the investment, and Mr R is out of pocket as a result. But I haven't seen any clear evidence this was always what it intended; or that at the time of the payment, it planned to use Mr R's funds in a different way to what was agreed. I haven't seen persuasive evidence that Company H's intention was to defraud Mr R when it took his funds. In short, I'm not persuaded Company H was operating a scam as suggested.

I say this because Company H completed three different development projects. Company H also worked on other developments which it then sold to developers when it experienced financial difficulties. The completion of three development projects is strongly indicative of a legitimate business carrying out the activities I would expect of it. Points raised by Mr R are largely based on assumptions and indicate poor business and financial management but don't go far enough to meet the definition of a scam. Whilst Company H may have, for example, misrepresented certain information, failed to cooperate with administrators, not filed accounts and paid high commissions to introducers, there is currently no evidence to say this was done with the intention of scamming investors. A lot of adverse inferences have been drawn here.

I've not seen anything from the administrators of the company to suggest Company H was operating a scam or that the transactions carried out by Company H and connected companies were done with any intention other than putting investors' funds toward development projects. Whilst transactions have been investigated, there is currently no evidence that funds weren't used for the intended purpose.

Ultimately, the information we currently hold suggests that Company H was a failed investment venture, not a scam. The information provided doesn't evidence Company H had fraudulent intent when it took Mr R's funds.

When considering the above – and thinking about when Mr R made the payment and whether Nationwide could have prevented Mr R's loss – I can't say fairly say any intervention would have made a material difference here.

As explained earlier, Nationwide is expected to process payments and withdrawals that its customer authorises it to make, but it should have also been on the look-out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). And, 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.

With the payment Mr R made, even had Nationwide intervened and carried out some additional checks, I'm not persuaded that it would have had any concerns about the payment Mr R was making. Company H was a legitimate company operating at the time the payments were made. Detailed documentation was provided and there was nothing in the public domain at the time to suggest Nationwide should have been concerned that Mr R might be at potential risk from fraud. Many of the points / concerns about some aspects of Company H that have been raised, have come to light after detailed analysis years after Mr R made the payment.

I'm sorry to disappoint Mr R, as I know he has lost a significant amount of money. But I'm not satisfied that I can fairly say Nationwide are liable to refund him. I'm not satisfied Nationwide would have been on notice that Mr R was potentially at risk of financial harm from fraud at the time he made the payment – so therefore it couldn't have prevented his loss. Overall, I don't consider Mr R's loss is the result of any failings by Nationwide.

My final decision

For the reasons given above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 5 November 2025.

Matthew Horner
Ombudsman