

## **The complaint**

Mr A complains that THE CO-OPERATIVE BANK P.L.C. (“Co-op”) has declined to refund the money he lost to an impersonation scam.

## **What happened**

The details of this complaint are well known to both parties, so I won’t repeat them in detail again here. However, in summary, Mr A fell victim to an impersonation scam. He was contacted by someone who said they were investigating fraud within Co-op. Mr A was asked to make payments from his Co-op account to entrap the supposed fraudster and told his funds would later be returned to him. Unfortunately, and unbeknown to Mr A at the time, he was actually speaking with a scammer.

As part of the scam, Mr A made two payments from his Co-op account. On 29 July 2024, he made a payment of £9,633 to the scammer. The next day, he authorised a further payment of £2,380 - bringing his total loss to £12,013.

Mr A realised he’d likely been the victim of a scam when his funds weren’t returned to his account as agreed. He then reported what had happened to him to Co-op.

Co-op looked into Mr A’s complaint but it declined to offer him a refund. It said it didn’t think Mr A had a reasonable basis for believing what the scammer told him and that he’d ignored multiple effective scam warnings when he was questioned about the payments at the time. Because of this, Co-op said Mr A wasn’t eligible for reimbursement under the Lending Standard Boards Contingent Reimbursement Model Code (“The CRM Code”) which was applicable to the payments Mr A had made.

Unhappy with Co-op’s response, Mr A referred his complaint to this service where one of our investigators looked into things. Our investigator didn’t uphold Mr A’s complaint. They thought Co-op had acted reasonably in relying on the exceptions to reimbursement set out in the CRM Code.

Mr A disagreed and 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 largely the same reasons. I’ll explain why in more detail below.

### *The CRM code*

It is not disputed that Mr A authorised the payments now under discussion here and because of this the starting position at law is that Co-op is expected to process payments and withdrawals that its customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the consumer made the payments as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payments.

So, when thinking about what is fair and reasonable in this case, I've considered whether Co-op should have reimbursed Mr A under the provisions of the CRM code and whether it ought to have done more to protect him from the possibility of financial harm from fraud.

The CRM Code requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams like this, in all but a limited number of circumstances. And it is for the firm to establish that one of the listed exceptions to reimbursement as set out in The Code can be relied on.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
  - the payee was the person the customer was expecting to pay;
  - the payment was for genuine goods or services; and/or
  - the person or business with whom they transacted was legitimate

\*There are further exceptions within the CRM code, but these don't apply here.

In this case, Co-op argues that two of the exceptions to reimbursement under the Code apply. It says Mr A ignored effective scam warnings provided to him at the time the payments were made and he didn't have a reasonable basis for believing the recipient of the funds was legitimate. In such circumstances, Co-op would not need to reimburse any of the payments Mr A made to the scammer. I've therefore considered whether Co-op has fairly relied on these exceptions to reimbursement below.

*Did Mr A have a reasonable basis for belief?*

My intention is not to further Mr A's distress where he's already been the victim of a cruel scam. I've taken on board what he's said about being completely under their spell at the time he authorised the payments. I also want to assure Mr A that I've thought about the numerous sophisticated tactics used by the scammer in this case to make him believe he was speaking with someone from his bank. However, I also have to bear in mind that Mr A was provided with multiple scam warnings that addressed the circumstances that he found himself in when making these payments. And whilst I understand that Mr A was under the spell of the scammer who was guiding him through the payment process with Co-op, it's clear that Mr A was able to engage with what Co-op said during the conversations he had with it. So, I'm satisfied the warnings provided by Co-op should've resonated with Mr A at the time and caused him to think twice about what he he was being asked to do.

I also think the fact that Mr A was being asked to make high value payments from his Co-op account to the personal account of someone he didn't know, in order to catch a fraudster within the bank, should've caused him concern. It's unclear why Mr A's bank would need a customer to make payments from their account to catch a fraudster but Mr A doesn't appear to have questioned this. I also think that the fact Mr A was being asked to lie to his bank was concerning.

Overall, I agree there were enough red flags that Mr A should've been concerned about the legitimacy of what he was being asked to do and I don't consider that he had a reasonable basis for believing the person he was paying was legitimate. So, I think Co-op has reasonably reached the conclusion that this exception to reimbursement under the Code applies.

*Did Co-op meet the standards expected of a firm under the CRM Code?*

Even though I don't think Mr A had a reasonable basis for believing that the person he was speaking with was legitimate, he would still be entitled to a refund of 50% of the money he lost if Co-op didn't meet the standards it has agreed to adhere to under the CRM Code.

The CRM code says that, where a firm identifies APP scam risks, it should provide "Effective Warnings" to their customers. The Code sets out that an Effective Warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. And it says that, as a minimum, an Effective Warning should be understandable, clear, impactful, timely and specific.

It isn't in dispute that an APP scam risk was identified here. Co-op put both of the payments Mr A had attempted on hold. It went on to speak to Mr A about both payments during a series of four telephone conversations. I have listened to recordings of these conversations. And in each of the calls, when asked about the reason for the payments he is making, Mr A tells Co-op he is making payments to his builder for some building work he has recently had completed on his home. However, despite being misled about the real reason for the payments, Co-op does go on to warn Mr A about impersonation scams. Mr A is told he must provide honest answers to Co-op to ensure he is protected from fraud. He is told that if his payments go to a scammer, Co-op might not be able to get them back and crucially, in each call, Mr A is asked:

*"Have you been told to lie to us today or coached on what to say? For example, have you been told you need to move your money to an account that is safe by someone claiming to be the Police or the bank?"*

Mr A responds that he hasn't. The advisor then goes on to say:

*"If you have been told to lie to us or you have been coached, this is fraud and you should call the Police."*

Mr A confirms he understands the questions asked of him and that he has not been asked to lie to the bank or been asked by a third-party to make the payments in question.

I understand that the scammer was on the line with Mr A when these conversations with Co-op were taking place. I acknowledge Mr A was being heavily coached by the scammer as to what to say to Co-op to ensure the payments went through. So, I understand why Mr A acted in the way he did. However, at the same time, it wouldn't now be reasonable for me to reach the conclusion that Co-op failed to meet the standards required of it under the CRM Code. I'm satisfied Co-op was prevented from providing an effective scam warning because it had been misled about the real reason for the payments. But even so, it did provide scam warnings that addressed the circumstances Mr A found himself in. And overall, I think Co-op did what it could here based on the information Mr A had provided. So, whilst I appreciate Mr A was under the spell of the scammer, I'm not persuaded it would be fair and reasonable to require Co-op to reimburse 50% of Mr A's loss now.

I also want to acknowledge Mr A's arguments that Co-op should've delayed the payments he was making so he had time to stop and think about what was being asked of him. I understand that he believes Co-op should've required that he present himself in a local branch. However, I'm not persuaded that delaying the payments would've made a difference here. I say this because there was nearly 24 hours between the first and the second payment. So, Mr A did have some time to think about what was being asked of him and he did go on to make the second payment. I also have to bear in mind that he'd been told by the scammer not to tell anyone about what he was being asked to do to avoid compromising the investigation. And so, I'm not persuaded that delaying the payments would've allowed Mr A to reach out and speak to someone as he has suggested now either. I'm satisfied that Mr A, under the spell of the scammer, would've continued to follow their instructions.

I also have to bear in mind that Co-op did delay the payments so it could speak to Mr A about them before they were allowed to leave his account. The payments were not made instantly. Co-op also applied a 24 hour delay to at least one of the payments but when it did so, Mr A requested that the payment be pushed through as he wanted to pay his bills immediately.

I also don't agree that Co-op should've asked Mr A to present himself in branch. Co-op would only be required to do this if it had concerns that an APP scam was taking place, and having spoken to Mr A, I'm not persuaded that Co-op did have any such concerns. On each occasion that Co-op spoke to Mr A, he was able to provide a detailed cover-story about making payments to his builder who he said had already completed work on his property. Mr A told Co-op how he had received the invoices he was paying and explained why he was making two separate payments. He also set out the work he'd had done and how he had found the builder in question. So, I understand why Co-op was ultimately reassured that Mr A was making genuine payments and wasn't falling victim to an APP scam. And so there would've been no reason to refer Mr A to his local branch. I think it was reasonable for Co-op to accept what Mr A told it and Mr A not telling Co-op the real reason for the payments ultimately prevented Co-op from uncovering the scam.

Finally, I want to address Mr A's points in regard to a significant pause he says took place during one of the telephone calls he had with Co-op. Mr A believes there was a long pause during one of the conversations after Co-op asked him a question about the invoice he said he was paying. Mr A says this pause took place because he was seeking advice from the scammer as to how he should answer the question posed to him. He says this was unusual and something Co-op should've picked up on.

I've listened to recordings of all the calls that took place and whilst I agree there is a slight pause after this question is asked during one recording, it is negligible, around 2 seconds in length, and I don't think it would be reasonable to say it should've put Co-op on notice that something untoward was happening. On another occasion, when questioned about the invoice he is paying, it appears that the scammer terminates the call between Mr A and Co-op's advisor - presumably to talk Mr A through how he needs to answer this question. I suspect that this might be the pause in conversation Mr A is actually referring to. However, as I've said, the call is terminated and having listened to a recording of it, it simply sounds like the call has dropped. I don't think it would've been apparent to Co-op's advisor at the time that something was amiss and when Mr A calls Co-op back, he is able to answer the questions Co-op ask of him persuasively.

### *Vulnerability*

I've also considered whether Mr A should be considered as having been vulnerable at the time he made the payments. I understand Mr A was over 80 and had recently been suffering

from some health issues. I'm sorry to hear about the issues Mr A had been experiencing; I don't doubt what he has told us, and I accept that this may have had some impact on him at the time. However, I've not seen enough persuasive evidence to demonstrate that this would have prevented him from being able to protect himself from falling victim to this type of scam. So, I'm not persuaded he can reasonably be considered as 'vulnerable' under the provisions of the CRM Code.

### *Summary*

Overall, I don't think Co-op has acted unfairly by declining to reimburse the payments Mr A made under the CRM Code. I also don't think there would've any more Co-op could've done to recover more of Mr A's funds either. I say this because by the time Mr A reported falling victim to a scam, the majority of his funds had already been removed from the receiving account and so there was no chance of Co-op recovering more than the small amount it has already returned to Mr A.

I appreciate that this decision will likely come as a disappointment to Mr A and I want to say again how sorry I am to hear that he's fallen victim to such a cruel scam. However, I'm not persuaded Co-op can fairly or reasonably be held liable for any of his loss in these circumstances. The fault here lies with the cruel and callous actions of the scammer themselves.

### **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 A to accept or reject my decision before 13 February 2026.

Emly Hanley Hayes  
**Ombudsman**