

## **The complaint**

Mr H complains that Bank of Scotland plc trading as Halifax (“Halifax”) won’t refund him money he lost, to what he believes was a scam.

In bringing his complaint to this service Mr H is professionally represented, but for ease of reading I will refer to Mr H throughout this decision.

## **What happened**

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

In November 2021 Mr H entered into a “dropshipping” agreement, where he would run an online store, with a company which I’ll refer to as ‘A’. He believed the opportunity would earn him up to £50,000 a year and understood that this was guaranteed. The business opportunity required Mr H to pay A £9,500, which he paid from his Halifax account, by way of two debit card payments (1 for £500 and another for £9,000).

When Mr H earnings weren’t meeting his expectations, he asked A for a refund under the ‘guarantee clause’ within the contract. But A told him he would need to allow a year, to enable the business to pick up. Mr H has said after a year, the earnings were still not in line with expectations, so he returned to A. A agreed to refund Mr H, but it didn’t do so.

Believing he’d been the victim of a scam, Mr H raised the matter with Halifax. But it didn’t agree to reimburse him. In summary, it felt this was a civil dispute and that it therefore had no liability for Mr H’s loss. Halifax added that the fraud claim was raised outside the timescales where it could have attempted a chargeback on any of the payments.

Unhappy with Halifax’s response, Mr H brought his case to this service. One of our Investigator’s looked into things but didn’t think the complaint should be upheld. In summary, they felt it was more likely A was operating as a genuine business. Our Investigator added that in any case, even if Halifax had intervened when Mr H made the payments it wouldn’t have made a difference. Alongside this our Investigator didn’t think Halifax had missed an opportunity to recover the money Mr H had lost.

Mr H didn’t agree with our Investigator’s view. In summary, he maintained that he had been the victim of a scam. He added that Halifax had failed to meet its obligations under the relevant regulations in place and that it should have attempted to recover his money, by way of a chargeback.

As agreement couldn’t 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.

I intend to keep my final decision relatively brief here and I'm very aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. Instead, it's because the evidence and outcome have already been explained to Mr H (and Halifax) by our Investigator. And having considered what our Investigator has said, whilst thinking about the available information and evidence myself, I see no reason to reach a different outcome.

Before I go on to explain my findings, I want to clarify for Mr H's benefit, as he has mentioned it in his submissions, why the 'Contingent Reimbursement Model (often referred to as the 'CRM Code') isn't relevant in his case. The CRM Code provided some additional protection to some faster payments, and victims of scams could be reimbursed their loss. But the CRM Code didn't cover payments made by card. And here Mr H made the payments via card. So, the CRM Code isn't an applicable consideration in this case.

I'd like to be clear from the outset that my role is only to consider whether Halifax has treated Mr H fairly here. I can only look at what Halifax should do in these situations, and whether it correctly followed its processes, it is not my role to forensically analyse A's actions.

It's not disputed that Mr H authorised the payments that are the subject of this complaint. So as per the Payment Service Regulations 2017 (which are the relevant regulations in place here) that means Mr H is responsible for them.

Because of this, Mr H is not automatically entitled to a refund. Nonetheless, the regulatory landscape, along with good industry practice, sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

However, the expectation on a firm to intervene and warn customers of the risk of financial harm from fraud and scams will only reasonably have been engaged if there were sufficient grounds for suspecting the payee was a fraudster; meaning that Halifax could have prevented the payments if concerns about the payee were discussed with Mr H.

I appreciate Mr H strongly considers A to have been operating fraudulently. But I'm not persuaded there's enough evidence to demonstrate this. As part of our investigation, our service has reviewed A's account statements. We can see that the bank account used by A shows many signs of genuine business activity. For example, there were regular payments to legitimate limited companies, for staff salaries, and for private healthcare, pension funds and recruitment agencies. This is the kind of activity we might expect to see from a legitimate business carrying out its day-to-day activities. With this in mind, it appears more likely that A was a legitimate business that ultimately failed to provide the services agreed, rather than one that set out to defraud its customers.

A did ultimately go into liquidation, and I'm aware there is an ongoing investigation by the Police Service of Northern Ireland, But while I can understand the presence of an investigation would raise concerns around how A was operating, this isn't enough to conclude that A was operating a scam, or that it never intended to use customers' money for legitimate purposes.

We have not seen any court documents relating to this judgement, so we can't know exactly what was decided and why, or whether A made any representations on its part. And I'm not

aware of any criminal charges having been brought against any individuals associated with A.

I acknowledge that the evidence suggests that A was not always acting professionally, but that does not automatically mean it was acting fraudulently, rather than this being a case of poor business practices that, ultimately, led to the failure of A as a business. So, with this in mind, I'm not satisfied that I've seen sufficient evidence to safely say that Mr H was the victim of a scam. As a result, there would've been no expectation on Halifax to intervene in these circumstances as it isn't required to protect its consumers from the risk of financial loss due to bad business practices.

For the purposes of this decision, even if I were to accept that what has happened was a scam (which for the avoidance of doubt and for reasons explained above I don't), I'm not persuaded that I would reach an outcome that would lead me to ask Halifax to refund Mr H. I'll explain why.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations (in this case, the 2017 regulations) and the terms and conditions of the customer's account. But that isn't the end of the story. Good industry practice required that Halifax be on the lookout for payments that were out of character or unusual to the extent that they might have indicated a fraud risk. On spotting such a payment, I'd expect it to intervene in a manner proportionate to the risk identified.

However, in the individual circumstances of this case, given the factors I've explained above and the information that would've been available at the time, I'm not persuaded that any level of intervention that could fairly have been expected of Halifax would've uncovered any meaningful negative information, such that Mr H wouldn't have continued with his payments.

If Halifax had questioned Mr H, he would have been able to show the contract he had had with A, and that A was by all accounts a legitimately registered company. I can't see that any red flags would have been present that might reasonably have led Halifax to preventing these payments from being made.

However, even where a scam or fraud has not occurred, there may still be circumstances where a bank can recover card payments its customer has made. So, I've gone on to consider whether Halifax has met its obligations regarding this aspect of Mr H's case. A chargeback is a voluntary process run by a card scheme. It is intended to resolve settlement disputes without the need to resort to more formal resolution.

Examples where a chargeback may be appropriate are where goods never arrived or the merchant never provided them, or where goods are faulty and not as described. But a chargeback doesn't guarantee a refund, and each card scheme has rules about when a chargeback can or cannot be raised. In this case Mr H did not raise his concerns about the payments until around a year after the last payment had been made, which is outside the claim timescale set out in the card scheme rules.

As well as this, if a chargeback had been raised Mr H would have needed to provide evidence that he was promised goods or services which he paid for but didn't receive. However, Mr H's testimony shows that he was provided with access to the online platform, which was the service he paid for. So, while I have sympathy towards Mr H's circumstances, I can't see that there was any reasonable prospect of a chargeback succeeding in this case, so I don't find that Halifax could have done anything to recover this loss.

I'm sorry to hear of what's happened to Mr H and I have a great deal of sympathy for him.

He has lost a significant amount of money, and I don't doubt he has been let down by A. But I'm not persuaded this is something that Halifax can fairly be said to be responsible for. And it follows that there isn't a reasonable basis upon which I can require them to do more to resolve this complaint.

### **My final decision**

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 15 April 2026.

Stephen Wise  
**Ombudsman**