

The complaint

Mrs S complains that Clydesdale Bank Plc, trading as Virgin Money, won't refund £15,000 she lost to an investment scam.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

After inheriting a sum of money from her late father, Mrs S sought investment opportunities online and found a company that I'll refer to as 'IW'. She provided her contact details and was subsequently contacted by IW's accountant, who I will refer to as 'DK'. DK recommended various bonds to Mrs S across 2020 and 2021, which she invested in. This included a £15,000 bond with a firm I'll refer to as 'SH'.

Mrs S made the £15,000 payment on 18 January 2021 to SH via a third-party intermediary firm ('NP') that was regulated by the FCA. The payment was made in branch.

The bond was due to mature in June 2024 but, before this, she received an email from Companies House to explain that SH had become insolvent. Mrs S received monthly returns of £112.50 for five consecutive months between February and June 2021. She didn't receive any further returns.

Mrs S complained to Virgin Money, with the assistance of a professional representative, in June 2024. She said Virgin Money didn't do enough to protect her from the scam – as they ought to have identified the payment as unusual, carried out further checks before processing it and provided relevant scam warnings. If this happened, the scam would've been uncovered and her loss avoided. To settle the complaint, Mrs S wanted Virgin Money to refund her in full, pay 8% simple interest and £300 compensation.

Virgin Money didn't uphold the complaint. They said a warning about IW wasn't published until after the £15,000 payment was made and it was going to an account provided by an FCA regulated firm (NP). Virgin Money also added that due to the time that had passed, they don't have any details of what was discussed when the payment was made in their branch. But as Mrs S had previously made other large transfers in the preceding months, this particular transfer wasn't unusual account activity. And here, this would've appeared to have been a genuine investment and there wasn't any obvious reason for them not to action the transfer request.

The complaint was referred to the Financial Ombudsman. Our Investigator didn't think Virgin Money had to do anything further. In short, he said:

- The payment wasn't covered by the Contingent Reimbursement Model (CRM) code.
- As Mrs S had made payments for much greater amount in the year prior, he didn't think the £15,000 payment carried a heightened risk of financial harm from fraud.

- In any event, he wasn't persuaded an intervention would've prevented the payment being made – as it was going to NP, a legitimate FCA regulated firm, and there wasn't any adverse information about SH or DK available at the time. So, even if Virgin Money did speak to Mrs S about the payment before processing it, the scam wouldn't have been uncovered.

Mrs S didn't agree with our Investigator. In short, she said:

- She is a cautious investor and didn't know what she was doing. She relied on DW's advice and IW weren't regulated by the FCA.
- At no stage did she receive any guidance or warnings from Virgin Money to alert her to the potential risks. There wasn't any robust questioning or attempt to understand her situation. And she would've welcomed a brief conversation to review the suitability of such a high-risk investment. Had Virgin Money fulfilled their duty of care then the outcome could've been very different.
- The high-risk investment(s) was a reaction to losing £20,000 through a previous financial advisor.
- She felt her finances were a private matter, and so she hadn't discussed them with any family or friends.
- She was a victim of domestic and financial abuse which was published in the local and national press. Virgin Money might have been aware of her circumstances – as she was in a vulnerable state when she made the investment.

Our Investigator considered what Mrs S said but his position didn't change. He said Virgin Money wouldn't be expected to provide financial advice on the suitability of an investment. They would only be expected to look for signs their customer could be falling victim to a scam, which he didn't think were present in Mrs S's situation. Our Investigator also said Virgin Money would've needed to have been notified by Mrs S of her vulnerability at the time for it to have been considered.

Mrs S remained in disagreement with our Investigator, and so the case has been passed to me to decide.

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'm sorry Mrs S has been the victim of a scam. I realise it is a significant amount of money she has lost. And I understand why, given the funds came from her late father, Mrs S is doing everything she can to try and recover it. But I need to decide whether Virgin Money can fairly and reasonably be held responsible for Mrs S's loss. And while I know this isn't the outcome Mrs S is hoping for, for similar reasons as our Investigator, I don't think they can. I'll explain why.

Before I do, I want to reassure Mrs S that I've considered everything that she, and the professional representative she appointed, has submitted in support of her complaint. And so, while I've summarised this complaint in far less detail than what has been provided, I want to stress that no discourtesy is intended by this. If there is a submission I've not addressed; it isn't because I have ignored the point. It's simply because my findings focus on what I consider to be the central issue in this complaint – that being whether Virgin Money is

responsible for Mrs S's loss.

Virgin Money didn't sign up to the CRM code until 28 February 2022. As the £15,000 payment was made before this, it isn't covered by it. I've therefore considered whether it would otherwise be fair and reasonable to hold Virgin Money responsible for Mrs S's loss.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Mrs S knowingly made the payment from her account and so, I'm satisfied she authorised it. Therefore, under the Payment Services Regulations 2017 and the terms of her account, Virgin Money are expected to process Mrs S's payment, and she is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Virgin Money to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

So, the starting point here is whether the instruction given by Mrs S to Virgin Money was unusual enough to have expected additional checks to be carried out before the payment was processed.

When considering this, I've kept in mind that banks process high volumes of transactions each day. And that there is a balance for Virgin Money to find between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate – as it wouldn't be practical for banks to carry out additional checks before processing every payment.

The £15,000 payment was being made to SH via NP, which was a legitimate firm regulated by the FCA at the time. There also wasn't any adverse information about NP publicly available when the payment was made. Because of this, Virgin Money wouldn't have had any immediate concerns regarding the payee – thereby prompting them to flag the payment.

I've also considered the value of the payment. While I appreciate it is a lot of money, Mrs S had made various high value transactions on her Virgin Money account in the prior 12 months – ranging between £15,000 and £50,000. Because of this, the £15,000 to NP wasn't particularly unusual for how Mrs S typically used her account. The payment was also made in branch, which I understand is how Mrs S made prior high value transactions. It therefore wouldn't have been seen by Virgin Money as suspicious or out of character for Mrs S. So, I don't think Virgin Money would've had enough reason to suspect Mrs S was at heightened risk of financial harm from fraud. Instead, I think it was reasonable for Virgin Money to consider the payment was being made for legitimate purposes. Accordingly, I think it was reasonable for Virgin Money to have processed Mrs S's payment upon receiving her instruction.

I've considered that the payment was made in branch and so, there could've been a discussion about it as part of the branch's fraud prevention checks. Unfortunately, due to the time that has passed, Virgin Money doesn't have any record to confirm this. Mrs S has however said there wasn't any robust questioning or attempt to understand her situation, and I've no reason to disbelieve her. But, as I've said, I wouldn't reasonably have expected Virgin Money to have had concerns about the payment at the time. It follows that I don't think they needed to carry out additional checks before processing the payment.

Further to this, while I appreciate Mrs S has said she would've welcomed a review of the

suitability of the investment, Virgin Money isn't required to protect their customers from bad investment decisions. And so, it wasn't for Virgin money to consider the suitability of the investment or if it was in Mrs S's best interests. Mrs S had already decided on the investment and Virgin Money were required to process her payment instruction. And although Virgin Money should be on the lookout for their customers being at risk of falling victim to scams, as I've said, I don't think they had enough reason to suspect that here.

I appreciate Mrs S is the innocent victim of a scam. I'm not placing any blame with her for what's happened or the loss that she has suffered. But I must consider whether Virgin Money is responsible for it. And while I understand Mrs S has referenced her vulnerability at the time of the scam, I've not seen anything to suggest Virgin Money were aware of her circumstances at the time. I therefore can't fairly conclude that Virgin Money has acted wrongly in this respect either.

I've also considered whether, on being alerted to the scam, Virgin Money could reasonably have done anything to recover Mrs S's loss, but I don't think they could. The only possible option for recovery would've been for Virgin Money to contact NP's bank. But the £15,000 was sent to SH and so there wouldn't have been any funds to recover. I am also aware that NP was dissolved in early 2024 and so, because of this, there wasn't any prospect of recovery of the funds either.

I appreciate Mrs S will be disappointed by this outcome. But it would only be fair for me to direct Virgin Money to refund her loss if I thought they were responsible – and I'm not persuaded that this was the case. For the above reasons, I think Virgin Money have acted fairly and so I'm not going to tell them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 31 December 2025.

Daniel O'Dell
Ombudsman