

The complaint

Mrs H is unhappy Nationwide Building Society won't refund payments she says she made as part of a scam. Mrs H is represented by her daughter in the complaint.

What happened

In September 2023 Mrs H was 'cold called' by a building company, I'll call "F", offering 'free government checks' on her loft insulation. She'd fairly recently had loft insulation fitted by another company that had also called her out of the blue to offer their services – but as this was positioned as something government mandated she agreed to the inspection.

Agents from F visited the house shortly after on 13 September 2023 and said the previous work carried out was some of the worst they'd seen. They said if Mrs H didn't have emergency repairs carried out the roof beams would rot and she wouldn't be able to sell her house. Initially Mrs H was quoted £3,000 for the work and they took a deposit that day of £1,500 from her via cheque (funds paid from her Nationwide account). She says she felt pressured by the agents, and worried by the ramifications of not having the work done quickly.

On 18 September 2023 the builders returned to start the work and put up scaffolding, but the quote quickly jumped to £22,800. Mrs H had £7,000 in her Nationwide current account, which the builders accepted as a deposit via cheque and said they would come back and collect the remaining amount later. Worried by the amounts involved, and knowing that Nationwide offered a 'scam checker service', Mrs H visited her nearest branch the following day (19 September 2023). She says she asked about F, and remembers the cashier typing into her computer before reporting back that the builders had a good reputation. She says she wasn't asked any further questions. Mrs H also paid in a small amount of cash she had at the same time. Reassured by the advice she later decided to move money from her savings account to her current account, to settle the invoice when the builders next visited.

A couple of weeks later Mrs H was talking to her daughter on the phone and mentioned the building work and how much it was costing – as well as her anxiety about getting it all sorted. Mrs H's daughter was immediately concerned the story, and believed her mother might have been dealing with scammers. So she spoke to the local Trading Standards office, who confirmed this had all the hallmarks of a 'rogue trader' scam, and that F was known to them. Other reports has been made, where elderly and vulnerable individuals were also targeted. Cheques were said to be preferred as the payment method, as they bypass the usual security checks other payments go through. Trading Standards produced a report confirming the scam, and Mrs H was told not to pay anything further to F. She was also advised to report the matter to Nationwide and the police.

On 5 October 2023 Mrs H's daughter called Nationwide to explain her mother had been scammed, and provided the details. She said Mrs H would need extra support in dealing with this (which is why she wanted to help bring the claim). Nationwide called Mrs H the following day and spoke to her without her daughter present, and asked a few questions about what happened. Mrs H told the agent that scaffolding was put up, but as she was 83 years old and it was all in the loft she couldn't confirm what work had been carried out. The agent

concluded it was a civil dispute, as some work had been completed – and advised Mrs H to go to small claims court if she was unhappy. The decision to decline the claim wasn't followed up in writing.

The following week a man turned up on his own to Mrs H's house to collect the remaining amount due. Mrs H's daughter was with her luckily and told him to go away, which he did – and F made no further attempt to collect the rest of the invoice. Mrs H also spoke to Nationwide again with her daughter before Christmas to cancel the cheque book as a precaution. In February 2024 Mrs H's daughter called Nationwide to pursue the fraud claim again, and reiterated that Mrs H would need support from family in making it. The agent told her to call back when she was with her mother, which she agreed to do even though that would involve a very long journey for her. In the same month Companies House recorded that F received a notice of compulsory strike off, having never filed accounts since its incorporation at the end of 2022 (and was dissolved in May 2024).

At the end of March 2024 Mrs H and her daughter called together and went through the circumstances of the scam. They explained that Mrs H had gone into branch for advice and was reassured by what the cashier had said. On 4 April 2024 Nationwide attempted to speak with Mrs H again but couldn't get through so sent a text. The following day Mrs H's daughter spoke to Nationwide and explained she was worried about her mother and the impact this was all having on her health, and that she would like to be the contact on the case. But the agent said her mother would need to be dialled in when talking about the claim.

The following day, on 6 April 2024, the daughter called again and Nationwide said a three-way phone call wouldn't suffice, and that she would need to be in the same room as her mother when talking to the fraud team. On 8 April 2024 Mrs H's daughter submitted a 'bank reporting form' online, and Trading Standards also contacted Nationwide. Both stressed how vulnerable Mrs H was and that this was impacting her mental health. They expressed upset with how Nationwide had handled things so far and requested that Mrs H's daughter should be contacted instead. Nationwide then called and spoke with Mrs H on her own, on 17 April 2024, and the notes record that she seemed confused and repeated that her daughter was handling things.

Mrs H's daughter subsequently complained to Nationwide's Chief Executive's office and requested it stopped distressing Mrs H. Nationwide responded to say that it was sorry to hear about Mrs H's poor experience but it couldn't deal with her daughter on the phone about the claim until it had gone through security with its member. Mrs H's daughter called again on 19 April 2024 to reiterate how vulnerable her mother was and the serious impact Nationwide's actions were having on her. On 22 April she resent the banking form submitted earlier in the month and asked for communication to come through her. At the same time she expressed disappointment with how Nationwide was treating a vulnerable customer and the conflicting messages around whether she could act for her mother.

Nationwide then issued its final response on the complaint directly to Mrs H at the end of April 2024. It offered £150 compensation for the mixed messaging provided with regards to authorising Mrs H's daughter to act on her behalf in the claim. But Nationwide thought it had rejected Mrs H's fraud claim fairly – saying the builders appeared to be legitimate, as they still were still active on Companies House, produced an invoice for the work with cancellation rights, and completed some of it. It didn't agree the Trading Standards report was definitive in showing the company was operating with illegitimate interests. Nationwide added that it had spoken to the branch to see if staff could remember anything about Mrs H's visit, and they couldn't. But it has robust processes to follow, in terms of documenting fraud concerns – and the fact there is no record of the conversation with Mrs H would mean it had no concerns. Accompanying the response was a 'letter of authority' document, that could be signed to allow Mrs H's daughter to act on her behalf in the matter.

Mrs H wasn't happy with the response, and referred the complaint to the Financial Ombudsman Service for review. One of our investigators considered everything and didn't think there was enough evidence to show Mrs H had been scammed. She didn't accept the investigator's opinion and requested an ombudsman reconsidered the complaint – so the matter was passed to me. I asked for a video of the loft, so I could see whether any work had been done – and it showed that the 'repairs' quoted on the invoices largely hadn't been carried out. After consulting with Trading Standards, and with reference to the other case it had looked into about F, it appeared as though Mrs H had been scammed twice. The initial company she dealt with likely poorly installed some spray foam insulation she didn't need, with F then coming in and removing the foam (and invoicing a huge amount for work it seemingly had no intention of carrying out).

I issued a provisional decision that partly upheld the complaint and awarded compensation for the distress caused. I've copied below the part that sets out my rationale for that outcome:

"Having done so, I've provisionally decided to uphold the complaint – and intend to direct Nationwide to refund the second cheque she made for £7,000, and increase the compensation award £400 for the impact its poor handling of the claim has caused Mrs H. I'll explain my rationale below – but first I want to thank Mrs H and her daughter for their patience with our process. I know this has been a long drawn out affair, and I'm hoping we're now nearing a resolution to the complaint, and some closure on an awful chapter in both their lives.

I think it's clear from the timeline of events here that Mrs H fell victim to scam. I recognise the disputed payments weren't 'push payments', though they were authorised by Mrs H (she wrote the cheques) – so this can't be considered Authorised Push Payment (APP) fraud. But I've had the regulator's definition of APP fraud in mind, in the absence of a more appropriate one. So, in order to determine that Mrs H was scammed, I'd need to be satisfied that F set out to dishonestly deceive her about the purpose for the payments. I consider that to be the case here, as I'm persuaded F invoiced Mrs H for work it did not intend to carry out – and for repairs she shouldn't have needed in the first place, given the earlier work was likely unnecessary.

I've recapped the aspects that I find were particularly indicative that this was scam:

- *Both insulation companies cold called Mrs H, which isn't typical of legitimate contractors.*
- *F offered a 'free UK government inspection' of her insulation, which isn't a real thing.*
- *They then pressured Mrs H to have work carried out straightaway and pay large sums up front. F also insisted on payment by cheque.*
- *Two invoices were produced, with a massive jump in cost between them. It seems the intention was initially to remove the foam installed by the previous company, but then they invoiced for an additional £20,000 (without the matching work to justify it).*
- *Removal of old spray foam insulation and laying new membranes typically costs a fraction of what was quoted (seems to be around £2,000 on average for a space of this size, looking online, and is typically quoted by square foot – which isn't evident on F's invoice).*
- *I appreciate getting ripped off or overcharged alone wouldn't meet the definition of a scam, as Nationwide aren't there to protect Mrs H from a bag bargain. But it speaks to F's practices generally, and suggests it didn't legitimately quote for the work.*
- *Mrs H doesn't remember seeing any tiles being removed from the roof – which was invoiced for, and typically how roof insulation is fitted.*
- *It doesn't look like the spray foam was put everywhere by the original contractors,*

only in places. Mrs H's daughter also believes the previous membrane, put in many years ago, is still in place – and there isn't any evidence a new membrane has been installed.

- The removal of the spray insulation doesn't look like it was carried out by professionals, and lots of debris has been left.
- F was supposedly owed just under £14,000, but never pursued that final amount.
- F was compulsorily struck off the Companies House register, and dissolved as a company without ever filing accounts.
- Trading Standards had received another report about F scamming an elderly individual with similar circumstances. What happened here also matches a pattern of rogue trader fraud they have seen a lot of in that area, where unnecessary work is done and then later ripped out (on the proviso it's dangerous or been done poorly), all at massively inflated prices, leaving the customer back at square one but down by thousands of pounds.

Nationwide decided it wasn't likely a scam because F was active on Companies House and produced a legitimate looking invoice. But the notice to strike off had been posted when the response was sent – and plenty of rogue traders set up companies and produce invoices to maintain an air of legitimacy. Both are pretty easily done. Nationwide also said Mrs H confirmed some of the work had been done – but that isn't really the case. What she said was they did something, and put up scaffolding, but she wasn't able to get up into the loft to see what had actually been done. It's very typical in these sorts of scams for some work to be completed, in order to induce further payments. It's also easy to put in a cancellation clause if you know it won't be used, as the 'work' will be done quickly. I've read the Trading Standards report too, and that clearly concludes Mrs H was likely scammed – and was as definitive as it could be without a prosecution. So I disagree with the inference in the final response that it wasn't strong evidence in support of fraud having been committed.

Nationwide had, or ought to have known, all of the information I've relied on when it made its decision on the claim. So I don't think it reached a fair conclusion when it said Mrs H wasn't a victim of a scam, given I think the evidence supports she likely was.

Turning to Nationwide's responsibility in respect of processing the cheques – the Payment Services Regulations aren't relevant here, but there are various Acts covering the legal obligations on Nationwide. There's long been a recognised position in common law, that a firm's principal duty is to obey its customer's payment mandates. Nationwide's terms also cover how it will handle payment requests, including cheques. Together those meant the starting position was that Nationwide was expected to process payments and withdrawals its customer instructed it to make without undue delay. So, presented with a cheque drawn in accordance with the terms of the account, it needed to honour the payment unless there were legal, regulatory, or contractual grounds which may, in exceptional circumstances, allow refusal of a payment instruction. Here, it is accepted that the payment mandate was validly executed (authorised) as Mrs H had written, signed and issued the cheque to the named payee – the scammers. At that time, Mrs H intended to pay the scammers, and so there was no mistake made in the execution of the payment. This means, under the terms and conditions of the account, Mrs H was presumed liable for any loss in the first instance.

But that isn't the end of the story, in terms of Nationwide's responsibility in the matter. Taking into account the law, regulatory rules and guidance, relevant codes of practice and what I consider good industry practice at the time, I consider that Nationwide ought to have been monitoring accounts to counter various risks. In practice that means having systems in place to identify unusual transactions or other indicators that its customer was at risk of fraud; and, in some situations, making additional checks before processing payments or declining them altogether to protect its customer from possible financial harm from fraud. The Consumer Duty (in force prior to these payments) also articulated that responsibility, as it said firms

should be acting to avoid foreseeable harm, with the example given of having adequate systems in place to detect and prevent scams. I'm satisfied that duty extends to all payment channels – and I've seen nothing to persuade me that a firm should be less vigilant, or fail to carry out due diligence, just because the payment is by cheque. Nationwide's terms allow it to stop and refuse to pay cheques for that reason too. So, I'm satisfied Nationwide should fairly and reasonably have been on the look out for signs Mrs H was at risk when processing the cheques in question.

I don't think the first cheque on 8 September for £1,500 ought to have concerned Nationwide. Though it was higher than the typical spend on the account, it wasn't alarmingly high – and cheques for similar amounts had been paid out of the account previously. The cheque for £7,000, however, ought to have concerned Nationwide and prompted further checks. It was by far the largest payment made in at least a year, and drained the account completely – which was unusual compared with Mrs H normal usage. She had also left no funds in the account to cover the impending regular payments, which bounced shortly after. On closer inspection the cheque was obviously going to a building company, and Nationwide would have been aware of Mrs H's age and potential vulnerability – not to mention the types of scams older people are most at risk from (including doorstepping rogue trader style ones). Altogether, those factors mean Nationwide ought to have intervened to carry out fraud checks before allowing the cheque to clear.

Had Nationwide questioned Mrs H about the payment I think she would have been open about the circumstances, as she has been throughout – and I consider the top line facts of what was happening ought to have aroused serious concern. Cold calling builders offering 'free government inspections of loft insulation', and then saying emergency work is needed costing £22,800, resulting in an 83 year old being pressured to write a cheque there and then for everything in her account – those things alone scream scam to me. Mrs H's daughter was seemingly able to quickly work out something was wrong from a brief conversation with her mother – and even if Nationwide advised Mrs H to check with Trading Standards or another building firm if the work was necessary, then that would have revealed what was really happening.

If a firm fails to comply with a validly executed payment order, it could be held liable for damages – as could the drawer – where the payment method used is a cheque. So I appreciate it would have been a risk for Nationwide to not honour it, particularly as any work might have already been done. While it would have needed to be sure it was scam related before cancelling the payment, the clearing cycle allows time for those sorts of checks to be completed – and I'm confident if it looked into things it would have discovered most of the risk factors I've listed above. Had the payment bounced I'm also confident the scammers wouldn't have expended much energy in pursuing it, as they didn't make much effort to get the nearly £14,000 that was supposedly owed to them – and Mrs H could have involved the police if necessary. The first cheque covered the maximum amount the 'work' carried out could be worth anyway. I've also considered whether Mrs H acted reasonably in the circumstances, bearing in mind what the law says about contributory negligence. Having done so, I'm not persuaded she should share liability for the loss. Nationwide believed F was legitimate, so I'm not surprised Mrs H was taken in by this sophisticated scam. The 'emergency' nature of the work needed meant Mrs H didn't feel there was time to get another quote or different opinion – which I find was reasonable in the circumstances. I also believe Nationwide should have picked up on her age, and her potential vulnerability to this type of fraud, so it is predominantly at fault in the matter.

Nationwide likely missed another opportunity to prevent the loss, when Mrs H visited the branch the day after writing the second cheque (and the day before it cleared). She clearly remembers making the trip because she was concerned, and we know that she was in branch that day from the cash deposits. I don't think Nationwide is saying Mrs H is lying, and

having considered the branch's response I don't think the cashier is saying the conversation definitely didn't happen – just that she probably wasn't concerned enough to record it. Nationwide also wasn't concerned this was a scam when it investigated, so the branch testimony tracks with the building society's approach to the case. Cheques aren't covered by the scam checker service either, and they'd already been paid in, so I can see why that process wasn't followed in branch. What I think likely happened, going by the branch statement and Mrs H's recollection, is she wasn't asked sufficient questions around why she was checking if F was legitimate. So Nationwide didn't understand enough about the circumstances to be able to properly assess the risks involved. A quick online search wouldn't have revealed whether F was operating fraudulently.

Bearing in mind Mrs H's age indicated potential vulnerability, and that Nationwide knew she wasn't signed up to online banking, plus the fact she was banking in branch, I think it ought to have assumed she might be less able to protect herself against the risks (like conducting her own research) – and made more detailed enquiries. Had it done so, I think it would have uncovered what was likely happening, for the same reasons I've said a fraud check would have worked to reveal the scam. That means Nationwide would have been able to stop the cheque before it cleared. The first cheque had already been paid out, so that couldn't be stopped.

Overall, I'm persuaded Nationwide ought to have prevented the loss of the second cheque here, and I don't find Mrs H is at fault. So I've decided Nationwide should refund the £7,000 to her. I'm also going to apply 8% simple interest yearly to the redress, to compensate Mrs H for the time she's been deprived of use of those funds, calculated from the date the cheque cleared until the date of settlement.

Finally, I've considered Nationwide's handling of the fraud claim and the service Mrs H received – for which it has apologised, and offered £150. Thankfully Mrs H's daughter did her best to shield her from distress, though it still sounds like she was negatively affected quite significantly. I'm not able to make an award to Mrs H's daughter, though I have no doubt she's also been seriously impacted by the mistakes. Our powers only extend to compensating the eligible complainant, Nationwide's customer in the context of the complaint (Mrs H). However, the efforts her daughter went to, and Nationwide's treatment of her, will have had a knock on effect on Mrs H that I can take into account.

Here are my other observations about the handling of the claim:

- *Nationwide was aware from the very first call in October 2023 that Mrs H was vulnerable and needed support. So it should have asked what reasonable adjustments were needed, but I've not heard that it did that. We know from Mrs H that using computers gives her migraines and texts can be very hard to read. We also know she wears hearing aids and so it can be difficult to hear people on the telephone. Those needs were not observed.*
- *Nationwide should not have spoken to Mrs H about the claim without support in place, and it should have arranged for Mrs H's daughter to act as a representative straightaway (regardless of whether any Power of Attorney had been sought). That could have very easily been done by getting signed authority – and customers shouldn't have to raise complaints before reasonable adjustments, like having family support through a fraud claim, are made.*
- *I appreciate it's preferable to speak to a customer directly following a fraud claim, but it isn't always possible. Nationwide should have been prepared to make reasonable adjustments, like getting the information in writing if needed. Nationwide has acknowledged it repeatedly contacted Mrs H when it shouldn't have, and gave misleading information about the authority needed.*
- *It should not have closed the claim following the conversation with Mrs H in October*

2023 – not least because it didn't make adjustments for her needs, but also because it made an incorrect assumption. The agent concluded that because some work had been done it was a civil dispute, and Nationwide ought to have been aware that's not how these types of scams tend to work. Mrs H also couldn't confirm if any work had been carried out, as she told the agent she couldn't get up to the loft to see.

- Nationwide should have followed up in writing with the outcome, given her circumstances, so that Mrs H could easily seek support in pursuing things.
- Nationwide should have been able to get all the information it needed from the first call it had with Mrs H – I've considered every bit of contact with her after that as inconvenience and distress she shouldn't have needed to go through. I recognise a lot of the correspondence was through Mrs H's daughter, but she was often consulted as part of that.
- The claim should have been investigated and resolved in 2023, but instead was hanging over her for many months. Mrs H is elderly and has been vulnerable throughout the period in question, with her health deteriorating. That has meant the mistakes impacted her more acutely. Her daughter has described the toll on her mother's mental health through dragging the claim out.
- I acknowledge some of the distress will have been down to the scam itself, and the loss of the funds – so I've been mindful to address only the impact Nationwide has caused through its handling. That poor service, though, has unfortunately exacerbated an already distressing situation, given Mrs H is the victim of a crime.
- Mrs H's daughter will have shielded her mother from some of the impact, and has taken on most of the written communication with Nationwide. So I've commuted the award to account for that.

Bearing in mind our published approach to these awards, and the factors listed above, including Mrs H's circumstances, I think the level of distress and inconvenience caused to her sits in our third award range – covering mistakes that “caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months”. So I've decided the fair level of compensation in this case is £400, meaning Nationwide should pay Mrs H an additional £250 (on top of the £150 it has already paid) by way of apology.”

Mrs H responded to say she accepted my provisional findings. Her daughter reiterated how hard things had been for them both for the last two years and the relief that a resolution was near. She also added that the scammers got Mrs H to sign a cancellation waiver, so effectively there were no cancellation rights (contrary to one of the reasons Nationwide had cited as supporting F was operating legitimately).

Nationwide didn't accept the outcome, and made the following points in response:

- Whilst the £7,000 cheque was larger than usual, it is not unprecedented for customers to make large payments for home improvements, especially in a single lump sum, and use a cheque for this purpose which is often associated with higher values.
- Cheques are a legally binding payment instrument. Once presented and validly executed, the bank is under a legal obligation to honour them unless there is clear evidence of fraud or coercion.
- Nationwide had no prior indication that Mrs H was under duress or that the cheque was fraudulent at the time of processing. The clearing cycle for cheques is relatively short, and intervention must be based on concrete suspicion, not assumptions.
- The scam involved a seemingly legitimate building company and a plausible story about emergency insulation work. These types of scams are sophisticated and difficult to detect without insider knowledge.

- A quick online search or basic fraud check may not have revealed the scam, especially if the company had a website or appeared to be trading.

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, and bearing in mind the responses to my initial findings, I've still decided to uphold Mrs H complaint – and for the same reasons I gave in the provisional decision. I've carefully considered Nationwide's further points, but I've not been persuaded to depart from the outcome set out above. I'll explain why.

I agree that, generally speaking, writing a larger cheque for home improvements isn't inherently suspicious – but I think this one for £7,000 ought to have concerned Nationwide in the context of this customer and her account activity. This was by far the largest payment made in a while, and drained the account completely – which was unusual compared with Mrs H normal usage. She had also left no funds in the account to cover the impending regular payments, which bounced shortly after. Factoring in Mrs H's typical activity with her age, there were several risk factors attached to this payment that I consider meant it ought to have flagged for further fraud checks.

I also acknowledge that Nationwide should only refuse cheques for very good reasons, but I consider it would have quickly established fraud was occurring had it appropriately questioned Mrs H. It wouldn't have known she was under duress prior to checking, but it would have known she was potentially vulnerable – along with the other risk factors I've already outlined. I appreciate there is a short window of opportunity during the clearing cycle to complete such checks, but Nationwide ought to have been able to work out that what was happening was highly suspicious within a couple of minutes of speaking with Mrs H.

I don't agree this scam involved a 'plausible story', for someone who works in a fraud department at a building society or where part of their role is to carry out 'scam checker' services in branch. Nor do I think it required 'insider knowledge' – I'm not sure exactly what Nationwide means by that, but I've assumed it's referring to knowledge of the building or insulation trade. I think the scenario of someone cold calling an elderly lady to say they need to come over to perform a 'free government insulation inspection', and then on her doorstep saying she needs to write them a cheque for everything in her bank account to do 'emergency works', should sound concerning to anyone carrying out fraud checks.

Those circumstances smack of a 'rogue trader' scam, which (sadly) typically targets the elderly. It's a prevalent enough type of fraud that Nationwide should be able to spot the signs. It should also have taken extra care when Mrs H made a risky transaction for her account, given she was potentially vulnerable. A quick online search or 'basic' fraud check may not have revealed the scam, but that's not what was required here – Nationwide needed to carry out checks proportionate to the risks involved, and ask probing/tailored questions about the circumstances. I've decided the failure to do so in this case has resulted in the loss of the funds represented by the second cheque Mrs H wrote.

Putting things right

In order to put things right, Nationwide should:

- Refund the second cheque, for £7,000, paid to the scammers.
- Apply 8% simple interest yearly to that refund, calculated from the date the cheque cleared until the date of settlement.

- Pay an additional £250 compensation (to bring the total award for distress and inconvenience to £400).

If Nationwide considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs H how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision I uphold Mrs H's complaint in part, and direct Nationwide Building Society to settle the complaint in line with what I've set out above – under the 'putting things right' heading.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H to accept or reject my decision before 11 December 2025.

Ryan Miles
Ombudsman