

The complaint

Mr C complains about the actions of THE CO-OPERATIVE BANK P.L.C. (“Co-op”) after he fell victim to a scam.

What happened

The background to this complaint is well known to the parties, so I’ll simply summarise it here. Briefly, Mr C says he saw an advert on social media for an investment opportunity. Unfortunately, the investment ultimately turned out to be a scam and I’ll refer to “the scammers” in this decision, even though I appreciate that Mr C didn’t realise that’s what they were at the time.

Mr C understood from the advert that if he sent money to the scammers, they’d invest it on his behalf and would then return the money to him after a week or so. He says the scammers never explained to him how profits would be made on the investment. And he says he was told to send the funds in a foreign currency for tax reasons.

Mr C made the following payments in connection with the scam from his current account with Co-op:

	Date	Payment type	Payee	Amount
1	23 July 2024	Faster payment	M	£999
2	23 July 2024	Faster payment	M	£200
3	13 August 2024	Debit card	C	£152.99
4	13 August 2024	Debit card	C	£302.99
5	13 August 2024	Debit card	C	£602.99
6	13 August 2024	Debit card	C	£502.99
7	20 August 2024	Debit card	C	£102.99
8	2 September 2024	Debit card	P	£103.99
9	23 September 2024	Debit card	R	£203.99
10	23 September 2024	Debit card	R	£153.99
11	14 October 2024	Debit card	R	£203.99
12	14 October 2024	Debit card	A	£352.99
13	14 October 2024	Debit card	R	£503.99
14	22 October 2024	Debit card	P	£250.98
			Total	£3,781.89*

*Payment 14 was made following the receipt of £250 into Mr C’s account the previous day in connection with the scam. The other payments shaded in the table were refunded or returned to Mr C. Those amounts are not included in the total of £3,781.89 shown above.

The investigator's view mistakenly included a second payment of £502.99 on 13 August 2024. That was, in fact, a refund of the payment for £502.99 made that day. It also included two further relatively small payments made on 15 July 2024, totalling £36.47, which were promptly refunded to Mr C, and three made on 14 October 2024, totalling £44.88. Those payments were to high street and online retailers. I've not included them here, and nor have I included a refund of £87.26 made to Mr C on 8 September 2024, because they don't appear to have had any connection to the scam. But even if they did, it doesn't alter my view of the complaint.

Co-op didn't speak to Mr C when he made the debit card payments. It says it would have displayed a general, on-screen, scam warning when Mr C made the two faster payments, but it no longer has a record of the specific warning that would have been shown.

On 15 October 2024 Mr C spoke to Co-op on the phone. He explained he'd been paying money to someone who'd been investing for him. He said that he wanted to clear his debt and had seen testimonials from other people who said they'd made good profits from the investment. He said they'd sent him a screenshot of the balance he'd supposedly accumulated, but were claiming that Co-op wasn't allowing the money to be paid into his account. He said that when banks had asked him about the payments before he'd lied, and said he knew the people he was sending money to. He also mentioned that his previous bank had closed his account when it saw what was going on. But he said he'd had enough now and needed to stop making the payments. The call handler confirmed that Co-op wasn't preventing any money being paid into Mr C's account, and that the supposed investment was a scam.

On 5 November Co-op wrote to Mr C to say it was closing his account with immediate effect.

Co-op doesn't believe that it could reasonably have been expected to realise that Mr C had fallen victim to a scam, or to prevent his loss. But it acknowledges that it didn't look into his concerns when he first raised them. It's offered to pay Mr C £250 by way of apology.

One of our investigators considered the complaint, but didn't think he could ask Co-op to do any more. In summary, he didn't think there was anything that should have alerted Co-op to the fact that Mr C had fallen victim to a scam. So he didn't think it should have intervened when Mr C made the payments. And he didn't think that Mr C had had a reasonable basis for belief that the scam was legitimate. So he didn't think Co-op needed to reimburse Mr C under the Contingent Reimbursement Model ("CRM") Code. He didn't think Co-op could have recovered the money. And he thought it had acted in accordance with the account terms and conditions when it closed Mr C's account.

Mr C didn't agree with the investigator's view, so the complaint's 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 was sorry to hear that Mr C fell victim to a scam, and I don't underestimate the impact this would have had on him. My role is to decide whether I can fairly hold Co-op responsible for his loss, or require it to take any other action.

I'm aware that Mr C had made payments to the scam from accounts at two other banks before the payments he made from his Co-op account. I've considered complaints against those banks separately. In this decision, I've only considered the payments Mr C made from his Co-op account, and whether Co-op missed an opportunity to prevent his loss.

I'm sorry to disappoint Mr C, but I've reached the same conclusion as the investigator, and for similar reasons.

Mr C authorised the payments. Co-op had an obligation to follow the payment instructions it received. This means that the starting point is that Mr C is presumed liable for his loss. But that's not the end of the story.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations, regulators' rules, guidance, standards and codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Taking those things into account, I think that at the time the payments were made, Co-op should have been doing the following to help protect its customers from the possibility of financial harm:

- monitoring accounts and payments to counter various risks, including fraud and scams;
- keeping systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things) – especially given the increase in sophisticated fraud and scams in recent years, with which financial institutions are generally more familiar than the average customer;
- acting to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring that all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, regardless of the payment method used, taking additional steps, or making additional checks, before processing a payment, or, where appropriate, declining to make a payment altogether; and
- being mindful of - among other things – common scam scenarios, how fraudulent practices were evolving (including, for example, the common use of multi-stage fraud by scammers) and the different risks these can present to consumers when deciding whether to intervene.

There's a balance to be struck. Banks have obligations to be alert to fraud and scams and to act in their customers' best interests. But they can't reasonably be involved in every transaction. And here, I don't think it was unreasonable for Co-op to process the payments as it did, without contacting Mr C or asking for further information from him.

Mr C had opened his account less than three weeks before he started making the payments. So Co-op didn't have enough records to assess whether the payments were typical for Mr C. The payments weren't for such high amounts – either by themselves or when combined with other payments made on the same day – that I think Co-op ought to have been concerned about them based on their size alone. The payments were for varying amounts and made to several different recipients. Overall, I don't think the pattern of transactions bore enough common hallmarks of a scam that I think that Co-op ought to have been concerned or intervened before processing the payments.

I'm not convinced that if Co-op had asked Mr C about the payments, it's likely it would have got to the bottom of what was happening in any event. I appreciate that Mr C had been cruelly used by the scammers, and tricked into making the payments, believing that he'd make a profit. But he'd already made payments to the scam from accounts he'd held at two other banks, both of which had closed his accounts. He'd misled each of them as to what he was doing and the reasons for the payments, and he'd provided a credible and confident cover story. It seems to me that Mr C was so convinced that he'd eventually make a return on his investment that he was willing to cover up what he was doing in order to carry on with the payments.

I sympathise with Mr C. It seems that he was strongly convinced that the scammers were genuine, and that he'd eventually receive returns on his investment. But I'm not convinced that a warning from Co-op would have made him decide to stop. Based on what he said when he spoke to Co-op on the phone, it was only when Mr C lost faith in making the profit that he'd been led to expect that he stopped.

Did Co-op meet its obligations under the CRM Code?

I've thought about whether Co-op should be required to reimburse Mr C under the Lending Standards Board's Contingent Reimbursement Model ("CRM") Code. The Code doesn't apply to payments made by debit card. But two of the payments were made by faster payment, and the Code was in force at the time.

The fact that Mr C made the payments as part of a scam isn't, in itself, enough for me to decide he should receive a full refund of those payments under the CRM Code, a bank may choose not to reimburse a customer if it has met its obligations and can establish that the customer made payments without having 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.

I need to consider not just whether Mr C believed he was sending money for a legitimate investment, but whether the belief was reasonable. I've thought about what Mr C has told us about how he came across the opportunity, and what steps he took to reassure himself about its legitimacy.

I've borne in mind that:

- Mr C found the apparent investment opportunity on social media, and communicated with a stranger (the scammer) about it;
- The scammer told him to lie to the bank about the reason for the payments. I think this could reasonably have been expected to cause Mr C concern;
- In the course of his dealings with the scammer, Mr C received money from third parties, which the scammer told him to send on. Even if Mr C was an inexperienced investor, I think this could reasonably have been expected to strike Mr C as strange and worrying;
- Based on what he told Co-op when he reported the scam, the returns Mr C was led to believe he could expect on the investment were unrealistically high, and I think Mr C could reasonably have been expected to realise that they were too good to be true;
- Mr C has mentioned that the scammer told him he'd receive returns on his investment quickly, but he continued to send payments to the scammer even though this didn't happen.

I appreciate that Mr C says he saw what appeared to be testimonials from other investors, saying they'd made a profit. But overall I don't consider that he had a reasonable basis for believing the scammer or the investment opportunity was legitimate.

I've explained that I don't think Co-op should have realised that Mr C was likely falling victim to a scam. So it did nothing wrong by not warning him when he made the payments.

Could Co-op have recovered Mr C's money?

I'm also satisfied that it's highly unlikely that Co-op would have been able to recover Mr C's money. Mr C made the payments by debit card. There's a scheme called "chargeback" which deals with disputes between card issuers and merchants. Chargeback isn't an automatic right, and banks don't have to raise a claim where there isn't a reasonable prospect of success. In this case, some of the payments were made to Mr C's account at a legitimate transfer service, and the money was then sent on from there. So the transfer service provided the service it was meant to provide – the money was transferred to the intended recipient. In the circumstances, I'm satisfied that a chargeback claim would have been unlikely to have any reasonable prospect of success.

And by the time Mr C told Co-op he'd been the victim of a scam, the money would almost certainly have been moved from the third-party accounts he sent the money to.

Account closure

I understand that the lack of explanation as to why Co-op closed his account may be frustrating for Mr C. However, I'm satisfied that the terms and conditions of Mr C's account allowed Co-op to close the account as it did, without notice and without giving a reason.

Co-op has acknowledged that it didn't investigate Mr C's concerns as quickly as it should have done. It's offered him £250 to reflect this. I consider that to be fair.

I know that Mr C will be disappointed with my decision, but for the reasons I've set out, I can't fairly require Co-op to do more than it's offered to do.

My final decision

THE CO-OPERATIVE BANK P.L.C. has already offered to pay Mr C £250 and I think that offer is fair in all the circumstances. So my decision is that THE CO-OPERATIVE BANK P.L.C. should pay Mr C £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 2 January 2026.

Juliet Collins

Ombudsman