

The complaint

Mr P, as director, brings a complaint on behalf of P, a Ltd company, against Clydesdale Bank Plc trading as Virgin Money.

Mr P says that P has been the victim of a scam and would like Clydesdale to refund P the money it has lost.

What happened

Mr P on behalf of P decided to invest in a company I'll refer to as A. A offered a rent-to-rent property investment. P's funds would be used to refurbish properties, and A would find a tenant to rent the property at a higher price. A told consumers they would rent the properties out to council's or housing associations. A claimed to have agreements in place with a well-known charity (I'll refer to as S) and a housing association (I'll refer to as C).

This service is broadly aware of the scam P fell victim to. It was far from the only entity to be drawn into the scam and, sadly, this service has seen numerous complaints from different victims. We know investors were promised monthly returns, based on the length of each contract. Funds would be used for the sourcing and refurbishment of properties.

The scheme continued for some time, with some 'investors' actually receiving some money back, as might be expected of a Ponzi or pyramid scheme. In or around May 2023, S issued a public statement on its website, saying that it had been made aware of several property investment schemes where S had been named as either the guarantor or would be placing tenants into the rented properties. It said S had no involvement with these schemes. Any claims that S was involved were bogus and fraudulent. It specifically mentioned A, where it claimed S as the "tenant" in its contracts, dating as far back as 2019. S reiterated it had not entered into any agreements or had any dealings with A.

This Service has also been provided correspondence from the housing association - C. In these emails C said it had never worked with A.

P made two payments in June 2022 and April 2023, totalling £88,050, and initially received returns of £23,725.

In October 2023 consumers were contacted by the director of A, to say the company would be dissolved and no further payments made to customers. Leaving P with losses of £64,325.

Mr P made a complaint on behalf of P to Clydesdale, but it didn't uphold the complaint, so it was brought to this Service.

Our Investigator looked into things, and thought that the complaint should be upheld.

Clydesdale didn't agree with the outcome, so the complaint has been passed to me.

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've come to the same conclusions as the investigator. I'll set out my findings in full below.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards, codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Clydesdale a signatory of the Lending Standard Board's Contingent Reimbursement Model Code (the LSB's CRM Code). The CRM Code requires firms to reimburse victims of APP Scams in all but a limited set of circumstances.

The investigator set out his explanation for making the finding this was an APP scam (and therefore a claim caught by the CRM code) but for clarity I'll repeat the salient points here.

- I've seen no evidence that A could have fulfilled the contracts it entered into with consumers. It did not have the agreements in place with the parties it claimed - either S or C.
- The contracts and agreements A provided to consumers were therefore fictitious as they contained the details of parties who had not contracted with them.
- I've also explained I have seen other supporting evidence that A was not operating in line with the purpose that was agreed with its customers.
- There's no evidence that P's funds were used for the intended purpose that both it and A had agreed they would be used for.

Clydesdale hasn't provided any evidence that A was operating legitimately.

As I'm satisfied this is an APP scam and caught by the CRM code, I've gone on to apply the provisions of the code below.

As I've mentioned, the CRM code which requires firms to reimburse consumers who have been the victims of APP scams, in all but a limited number of circumstances and it is for Clydesdale to establish that a customer failed to meet one of the listed exceptions set out in the CRM Code.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that*:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning.
- 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

*Further exceptions outlined in the CRM Code do not apply to this case.

Did Clydesdale meet the standards expected of a firm under the CRM Code?

The CRM code says that, where a firm identifies APP scam risks, it should provide “Effective Warnings” to their customers. It 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.

I’m satisfied given the value of the payments P made, Clydesdale ought to have identified that P could be at risk of an APP scam and provided effective warnings in line with the Standards under the CRM code.

Clydesdale presented warnings which aren’t specific to investment scams and rather focus on impersonation or invoice intercept scams. So, this is not relevant to the type of P was falling victim to.

Overall, I’m satisfied that Clydesdale ought to have provided effective warnings which it didn’t.

And so, Clydesdale has failed to meet the firms’ standards under the CRM code.

Did P have a reasonable basis of belief when making the payments?

I’ve also thought about the steps P took to reassure itself about the legitimacy of the contact it received from A and whether it was reasonable for it to proceed with the payments. And I’m persuaded he did. I’ll explain why.

- Whilst P initially found the investment opportunity through friends and family (who had already been receiving returns), it then went on to have, what it describes as professional and detailed conversations with representatives of A.
- A had a basic, but professional looking website, which I’ve had limited access to, given that it’s no longer accessible.
- A had an entry on Companies House showing incorporation from 2019, with two sets of micro-company accounts submitted at the time P invested.
- At the time P entered into the contracts with A, there wasn’t anything in the public domain that would have put P on notice that this wasn’t a legitimate investment.
- The returns promised didn’t seem too good to be true. P’s contract contained a property that could be found on the land registry, the monthly rental payment seemed reasonable, given the property was being refurbished and used as home of multiple occupancy.
- P’s contract included a genuine housing association – C, incorporated since 2012. And P had no way of knowing C’s involvement was a lie.

I’ve taken into account that Clydesdale has said that it doesn’t agree that the paperwork received by P was professional, and that it was basic, with errors in spelling and grammatical errors, and containing an old address. And that it doesn’t agree that a recommendation from friends and family is sufficient due diligence. But I don’t think the points it has raised outweigh the points I have made above. And P’s friends and family were already receiving returns, giving P no reason to doubt what it was told.

On this basis, I'm satisfied, that in these circumstances, Clydesdale has not established that an exception to full reimbursement should be applied. Therefore, Clydesdale needs to refund P for its losses.

Putting things right

Clydesdale Bank Plc trading as Virgin Money should refund P its losses (minus its returns).

I calculate this to be £64,325.

On top of this, it should also pay P 8% simple interest (less tax) from the date it initially declined the claim until settlement.

My final decision

I uphold this complaint. Clydesdale Bank Plc trading as Virgin Money should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 27 February 2026.

Claire Pugh
Ombudsman