

The complaint

Mr R complains that Nationwide Building Society ('Nationwide') won't reimburse the funds he lost when he fell victim to what he believed was a scam.

What happened

The background to this complaint is well known to both parties. So, I won't repeat everything again in detail here, but in summary I understand it to be as follows:

Mr R was looking to have extensive renovation work done to his property and initiated a formal tender process in the summer of 2021. One of the applicants was a building company I'll refer to as 'G' that had been recommended to Mr R by a friend. G had a professional website, an office and showroom and positive reviews online. Mr R was satisfied with G's competitive submission and how the company had been presented by its director, who I'll refer to as 'Mr S'.

The total quote for the project was £920,073.49 including VAT. The agreement between Mr R and G was that he'd pay £100,000 as a deposit, and then weekly payments for 45 weeks. G was to start the work in November 2021 and finish in October 2022. Mr R was happy with what he'd seen and signed the contract.

In total, between 10 November 2021 and 30 July 2022 Mr R paid £578,232 to G from his Nationwide account.

G started the work as agreed, but Mr R says that within weeks the work was intermittent and he raised concerns with Mr S. He requested to defer making more payments and at times did delay making the scheduled payments to G. Mr R says this cycle repeated several times throughout 2022 and that Mr S became threatening and intimidating when payments were late. At one point he threatened to abandon the project and reprice it if Mr R didn't continue to pay as agreed.

Following his concerns, Mr R instructed an architect to visit the site and informally evaluate the work that had been completed so far. However, G was on site at the time and the architect didn't have full access to the whole site – but shortcomings were still identified.

Mr R says that G abandoned the site in August 2022. After this Mr R commissioned different independent professionals to evaluate the work that had been completed and the cost of rectifying and completing the entire project. The conclusion was that the cost of rectifying the work was more than the value of the work actually completed.

Mr R believes he has been the victim of a scam and that G never intended to complete the project. Mr R has provided evidence and a significant number of reasons why he believes Mr S and G intended to defraud him from the outset and throughout the project.

Mr R says he first attempted to raise a claim with Nationwide in branch in March 2023 but no claim was logged at the time. Mr R called Nationwide again in June 2024 to try and raise the

claim. He was told that it couldn't be raised as a scam but didn't give Mr R any reasons why. At the same time Mr R made a complaint.

In its response to the complaint, Nationwide acknowledged that it should've done better in the phone call and paid Mr R £100 compensation for this. Nationwide confirmed it had investigated a claim but determined that the matter was a civil dispute – primarily because the value of the work completed was substantial which wouldn't suggest it was the intent of G to scam him from the outset. Nationwide also reached out to the bank that received Mr R's funds and it had confirmed it had no scam concerns. Unhappy with the outcome, Mr R brought his complaint to our service.

One of our Investigators looked into the complaint. In his assessment, he concluded that while it's clear G didn't provide Mr R with what he was expecting or what he paid for, and that G and Mr S may have misrepresented themselves in some way, he wasn't persuaded by the evidence that G or Mr S deceived Mr R at the time of the payments, with no intention of fulfilling the purpose of the payments from the outset. As such, he couldn't hold Nationwide liable for the loss.

Mr R didn't agree with the outcome and explained why. In summary, Mr R didn't agree with how the Investigator had applied the standard of proof when concluding that what happened was a civil dispute. Mr R pointed to the evidence he'd provided that he believes shows that there was fraud at the point of solicitation, fraud throughout the project, G's lack of capability to provide what was agreed, documented criminality on the part of Mr S, other victims, opinions of independent professionals and Nationwide's failures during the payment journey and complaint.

As the complaint couldn't be resolved informally, it has been passed to me to make a 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 have summarised this complaint in less detail than the parties involved. I want to stress that no discourtesy is intended by this. If there is a submission I have not addressed, it is not because I have ignored the point. It is simply because my findings focus on what I consider to be the central issues in this complaint.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must take into account what I consider to have been good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

Having considered everything carefully, I agree with the findings of our Investigator and I'm not upholding the complaint. I'll explain why.

First of all, I'm sorry that Mr R has lost out as a result of what's happened here. I can see that Mr R and his family have suffered greatly in terms of the financial impact and on their well-being because of everything that has happened. But it's my role to consider whether

Nationwide is responsible for those losses. I know it will be disappointing for Mr R, but I am not recommending that Nationwide refund him here.

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

As Mr R authorised the payments, there are a limited number of circumstances in which Nationwide would be liable to refund him, namely that he's been the victim of an authorised push payment ('APP') scam. Our Investigator explained why he didn't think Mr R had been the victim of an APP scam. I agree with our Investigator and I'll explain why.

The CRM Code

Nationwide was a signatory to the Contingent Reimbursement Model Code ('CRM Code'). Under this code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam, except in limited circumstances. But the CRM Code only applies if the definition of an APP scam as set out in it, is met.

I have considered whether Mr R's claim falls within the scope of the CRM Code, which defines an APP scam as:

"... a transfer of funds executed across Faster Payments...where:

- (i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent".*

The CRM code also specifically excludes private civil disputes:

"...such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier"

For there to be 'fraudulent purposes' (as opposed to legitimate purposes) it would require the test for fraud to be met in relation to the purposes for which the payment was procured. That must have been at the time the payment transaction occurred or earlier. It does not follow that fraud at a later date can engage the CRM Code's definition of an APP scam.

Neither would fraud which doesn't speak to the purpose of the payment. It follows that there may be situations where false representations were made which could amount to fraud under the Fraud Act, but which don't have the effect of the payment falling within the scope of the definition of an APP scam set out under the CRM Code.

I don't have the power to speak to or conduct a criminal investigation into Mr S or G. Part of what is required here is to establish the intent and state of mind of the person(s) accused of this fraud about the purpose of Mr R's payments.

When considering the evidence produced in support of Mr R's claim of an APP scam, I'm required to reach my findings on a balance of probabilities rather than to the criminal standard.

The broad purpose of Mr R's payments to G were to pay for the costs involved in completing a large scale, full home renovation.

While I have very carefully considered all of the allegations and evidence made by Mr R, these do not fundamentally speak to the purpose for which funds were procured. G did ultimately engage in the extensive renovation works to Mr R's property.

Mr R has had several professional evaluations of the work that was carried out, in part to determine how much was completed and to what standard, and to find out the cost of rectifying and completing the unfinished work. I accept that a relatively small proportion of the expected work was carried out, and Mr R has paid well over half of the total cost agreed. The valuation of the completed works differs between the professional reports. But the evidence suggests that the value of work completed, even if not to standard and using different materials to those agreed, was a significant sum – at least £100,000 worth. It wasn't the sign of someone who didn't intend to carry out any work or engage with the project from the outset.

Mr R has said that within weeks of starting he had concerns about the progress of the project and raised his concerns with Mr S. As time went by Mr R says he discussed delaying payments with Mr S because of the delays and that Mr S often became aggressive and intimidating if Mr R didn't continue to pay on schedule. Mr R says he didn't want to risk delaying the work further or losing the contract.

Mr R says G continued to complete just enough work to convince him to keep paying and thinks this was part of the overall ploy to extract more money from him. I haven't seen the full chat history between Mr R and Mr S but Mr R has sent some screenshots of times when delayed payments were discussed. I can't see any evidence of threatening or intimidating behaviour though. It is clear there were disagreements between Mr R and Mr S but the messages I've seen are relatively polite and cordial even when Mr S was telling Mr R that he shouldn't have to chase him up for payments and when he said he would have to relocate his team to another site if the payments weren't made.

I appreciate that the evidence suggests that overall the work fell behind schedule and wasn't completed to the expected standard and I understand why Mr R delayed payments. But when the agreement from the outset was that the payments would be made weekly, and weren't specifically assigned to any particular aspect of the project, I can also understand why Mr S was asking to be paid as agreed in order to continue the work. It seems that by the time G abandoned the site, there had been a breakdown of the relationship between Mr R and G and this is the reason the work completely stopped at that point. I can't say that it's more likely than not that G wouldn't have continued to complete the project if there hadn't been a breakdown of relationship – even if it would have overrun or wasn't to the standard expected.

I have considered Mr R's claims about Mr S and G, but I don't find that these fundamentally speak to the purpose for which funds were procured. Ultimately, G engaged in the building work that was contractually agreed, and completed a not insignificant amount of work, even though it was completed to a poor standard and only a fraction of the overall job was completed. Mr R has other avenues available to him to dispute these issues.

I have taken note of everything Mr R has sent our service about Mr S's conduct in relation to his director disqualification, his other companies, what Mr R and others have said about his business and personal practices, and the ongoing investigations into him. This includes allegations from people that previously worked for G and Mr S, suppliers that hadn't been paid, other customers who have lost out in the same way as Mr R as well as information about Mr S's other companies. I understand why Mr R believes all of the information he's provided evidences that Mr S has a propensity to act fraudulently. But I'm not persuaded that the information evidences that Mr S never intended to provide Mr R with what he'd paid for.

It calls into question his business and personal practices and perhaps morals. But it doesn't show that Mr S and G intended to defraud Mr R.

We have received confidential information from both banks that Mr R sent funds to, that I can't share because of data protection laws. But both banks confirmed that they hadn't received any other scam reports similar to Mr R's.

Mr R has said that he was able to get a county court judgment ('CCJ') against G in relation to a payment he made to G specifically to pay a building control firm which never received the payment. Mr G has said this is proof that funds requested for a specific fee were pocketed and therefore there was a deception as to the purpose of the payment. Mr R also said that Mr S's failure to engage with the court regarding the CCJ is further evidence of his overall deceptive behaviour. I accept that Mr R has received a CCJ for this particular payment. But it's unclear which payment this was in relation to or whether it is one of the payments in dispute here. It's also not clear whether Mr S or G attended court or whether the judgment was a default judgment, meaning the evidence wasn't considered. Either way I don't agree that this proves that Mr S and G intended to defraud Mr R from the outset. As explained above, the payments Mr R was scheduled to make were agreed before the start of the work and weren't defined as being used for any specific purpose. Further, I haven't seen any evidence of Mr S or G asking Mr R for a payment specifically for building control fees. Though I don't dispute that it was made or that Mr R has a CCJ for this payment I can't comment on the intent of Mr S when that payment was requested or why it wasn't paid to the building control firm. There could be legitimate reasons why the building control firm wasn't paid at the time.

Mr R has mentioned that he tried to raise the matter with the police and Trading Standards, but as I understand it neither party went ahead with an investigation. Mr R has also said that the Insolvency Service has started a criminal investigation, though I don't know specifically what the investigation is looking in to. Nor can I speculate what the outcome of such an investigation would be and whether it would be relevant to Mr R's claim. But if any investigation, current or future, were to take place and result in any new or material evidence relevant to Mr R's claim then he can of course raise a new complaint with Nationwide at that time.

In summary, though I haven't referenced or addressed every point and piece of evidence Mr R has provided, I have carefully considered everything he has sent to us. I understand why Mr R believes he has been defrauded. And it's not lost on me that he has lost a huge amount of money and been put through a huge amount of trouble and stress through no fault of his own. But for the reasons I've explained, having carefully considered all the evidence provided to me, I'm not persuaded there is sufficient evidence to conclude that the purpose G had in mind when it took Mr R's payments was different to the purpose Mr R had in mind. So, I consider Nationwide acted fairly when it didn't reimburse Mr R under the CRM Code.

Should Nationwide have done anything else to prevent the scam?

Mr R has said that sending such large sums of money and in high volumes was entirely unusual activity for him and his account. He has also said Nationwide didn't question the payments or provide any notifications or warnings and believes there has been a complete failure in transaction monitoring and that Nationwide ignored this aspect of his claim. Mr R has also said that Nationwide missed an opportunity to potentially retrieve his funds when he first attempted to raise the claim in branch and again when his claim was declined over the phone. He has raised further points about how Nationwide handled his complaint and didn't fully investigate it or the evidence about Mr S and G's conduct or the accounts his money was sent to. Mr R also believes Nationwide made a commercial decision to conclude what happened wasn't a scam without fully investigating it.

I have gone on to consider whether there is any other reason I can require Nationwide to reimburse Mr R. Nationwide should be on the lookout for, and protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. Where potential fraud is identified, I would expect Nationwide to intervene and attempt to prevent the losses for the customer.

Interventions

I agree with Mr R that the payments he started making to G were unusual compared to his usual account activity. He made several large payments to a new payee over a short period of time. Nationwide says that it provided written warnings on the first six payments and again on the tenth payment (which was to a new account of G's). However, based on the size of the transactions and the suspicious nature of them, I'd have expected Nationwide to have called Mr R at the time of those early payments to try and identify the fraud risk and provide appropriate warnings to him.

But I need to consider causation – whether suitable interventions would have made a difference to Mr R's decision making or if Nationwide could have reasonably prevented the loss. In deciding this, I need to consider the information that was available at the time the payments were made.

Having considered this information,, I'm not persuaded Nationwide would have had any concerns if it had spoken to Mr R about the payments. G was a registered building company, Mr R had spoken to Mr S, had reviewed a tender application, agreed to a substantial quote and signed a professional looking contract. The amount of the payments Mr R was making were in line with what he was expecting to pay. There was also nothing in the public domain at the time to suggest Nationwide should have been concerned that Mr R might be falling victim to a scam at that time. And as time went on, the payments became usual activity on the account and I wouldn't have expected Nationwide to continue calling him every time he made the next payment because there wouldn't have been any ongoing concerns after it was aware of what the payments were for.

Recovery of funds

I appreciate that Mr R has said he tried to raise the claim in March 2023. I believe Mr M but unfortunately there's nothing to show what was discussed at the time and no record of a claim being raised or a conversation being had. I also appreciate that when Mr R attempted to raise the claim again in June 2024 it was rejected during the same call with no real reason as to why. While understandably frustrating, I don't think if Nationwide had raised a claim either in March 2023 or June 2024 it would have made a difference to the outcome. I say this because Nationwide would likely have come to the same conclusion – that what happened wasn't an APP scam. And Nationwide would only have attempted to recover the funds if it thought Mr R was the victim of an APP scam.

Because I've come to the same conclusion, I can't hold Nationwide liable to reimburse Mr R for not attempting to recover the funds from the recipient bank accounts either time he attempted to raise a claim.

Compensation

In its final response, Nationwide acknowledged and apologised that it hadn't raised Mr R's claim when he called it in June 2024. It paid Mr R £100 compensation for this. Having listened to the call between Mr R and Nationwide I can understand the frustration at the answer he'd been given which ultimately led to him raising a complaint. Shortly after Mr

R raised his complaint, Nationwide did conduct an investigation and provided him with a reason why it was declined.

I think the £100 compensation is fair and reasonable in respect of the mistake Nationwide made in not raising his claim during the phone call and not providing him with a reason as to why it was being declined. But I think Nationwide rectified this relatively quickly.

Mr R has said he thinks a commercial decision was made to say that what had happened wasn't an APP scam without a thorough investigation. It's not for me to say how Nationwide should have investigated the claim. I have carefully considered all the evidence available though, and I have reached the same decision that what happened, on the balance of probabilities, was not an APP scam.

Summary

I'm sympathetic to the position Mr R finds himself in and what he and his family have been through and I am sorry to have to deliver this news to him. But for the reasons I have explained and based on the available evidence I have seen; I consider the matter is a civil dispute which isn't covered by the CRM Code and is therefore something that needs to be resolved between the two parties through alternative methods. I also don't think Nationwide could have done anything more to have prevented the loss of Mr R's money or to recover it after Mr R reported his claim to it.

It follows that I don't think Nationwide Building Society is liable to reimburse Mr R for his loss under the CRM Code or otherwise.

My final decision

For the reasons explained, 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 R to accept or reject my decision before 19 February 2026.

Mike Southgate
Ombudsman