

The complaint

Mr Z complains Bank of Scotland plc ('BoS') won't reimburse the money he lost when he fell victim to what he believes to be a scam.

What happened

The detailed background to this complaint is well known to both parties and was set out in the investigator's view, so I'll only provide a brief overview of some of the key events here.

Mr Z engaged a landscaping company to build a bespoke shed for him. The company in question had recently completed some work on Mr Z's garden. He was happy with the work completed and so he reached out to the company director - "L" - to speak with him about the shed. A quote for the work was agreed and Mr Z was asked to pay 75% of the total cost upfront. Mr Z paid £3,000 to L's business account on 6 June 2025 and it was agreed the work would start in early July.

However, July came around and work did not start as agreed. L said the company was suffering from some staff shortages. Concerned Mr Z began to contact L on a weekly basis but L eventually stopped responding. It later came to light that L's company had gone into liquidation and Mr Z had lost the funds he'd paid upfront.

Mr Z reported what had happened to him to his bank, BoS, and requested that it refund him the amount lost. BoS declined to offer Mr Z a refund. It said it didn't think that he had been the victim of a scam as he had paid a legitimate company that ultimately went into liquidation after facing financial difficulties. BoS said that this meant Mr Z's circumstances amounted to a private civil dispute between him and L / L's company and not a scam that it should become involved in now.

Unhappy with BoS's response, Mr Z brought his complaint to this service and one of our investigators looked into things.

The investigator who considered the complaint didn't recommend that it be upheld. They said that the definition of an Authorised Push Payment ("APP") scam hadn't been met and Mr Z most likely had a civil dispute with L, so BoS wasn't liable for Mr Z's loss.

Mr Z didn't agree with the investigator's findings and so the complaint has 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.

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

It's important to note that I am not deciding a dispute between Mr Z and L or L's company – I don't have the power to look into a complaint about them. Neither am I conducting an investigation into the activities of L and his business. My role is limited to deciding the dispute between Mr Z and BoS. I need to decide whether BoS acted fairly, when concluding that Mr Z's circumstances amounted to a civil dispute and not a scam.

Having done so, I agree with the outcome reached by our investigator, for largely the same reasons. I'll explain why in more detail below.

The Faster Payments Scheme

The Payment Systems Regulator introduced the Faster Payments Scheme ("FPS") and the CHAPS reimbursement rules on 7 October 2024 to reimburse consumers who are the victims of APP scams in certain circumstances. However, the rules only apply where the customer has been the victim of an APP scam, which the rules define as:

"Where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a Consumer into transferring funds from the Consumer's Relevant account to a Relevant account not controlled by the Consumer, where:

- *The recipient is not who the Consumer intended to pay, or*
- *The payment is not for the purpose the Consumer intended"*

Private civil disputes are not covered by the rules. The term private civil dispute is defined in the rules as:

"A dispute between a Consumer and payee which is a private matter between them for resolution in the civil courts, rather than involving criminal fraud or dishonesty."

The Payment Systems Regulator in its published policy statement PS23/3 gives further guidance:

"2.6 Civil disputes do not meet our definition of an APP fraud as the customer has not been deceived [...] The law protects consumer rights when purchasing goods and services, including through the Consumer Rights Act."

It provides an example of when this might apply:

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

In other words, the rules are not to be used as a general protection for customers against non-receipt of, or defective, goods or services.

In light of the above, I have to think about whether I can fairly and reasonably say Mr Z has been the victim of an APP scam or whether it was reasonable for BoS to deem Mr Z's circumstances a private civil dispute. I'm satisfied it was fair and reasonable for BoS to reach this conclusion. I'll explain why in more detail below.

The FPS rules will only apply if Mr Z's payment was made as part of an APP scam. This is different to a situation where L didn't fulfil the agreement with Mr Z due to, for example, the business failing, ill health, a breakdown in the relationship or dissatisfaction with the quality of the work - which would be considered a civil dispute not covered by the rules.

After careful consideration, I'm not satisfied there is enough evidence to conclude L didn't intend to act in line with the purpose agreed with Mr Z. I'll explain why below.

L's company had been a UK incorporated company for a number of years so it was a well-established company at the time Mr Z made his payment. The company had been operating legitimately for a number of years and Mr Z had used the company previously too. He'd also been happy with the work carried out for him. And whilst I appreciate that the work Mr Z paid for in regard to his shed wasn't started, there was some discussion as to how the work would be completed and what would need to be done to bring the project into Mr Z's price range. I'm not persuaded that any of the above is indicative of a company operating as a scam.

I've also reviewed the liquidators report dated 20 August 2025 which details that L's company had got itself into financial difficulties after struggling to absorb rising costs. The report sets out that the company wasn't able to pay its debts and because of this, it wasn't able to keep trading. It entered into voluntary liquidation following advice from an insolvency practitioner. This report strongly indicates that company could not continue trading because of its financial issues. The liquidators who completed the report had access to L's company accounts and there is no indication in this report that they had any concerns L or his company had been operating as a scam. The report says L's company stopped trading because it was financially unsustainable to continue. I also haven't seen any evidence that any other bodies, such as Trading Standards, are looking into the activities of L's company or any other reports that the company has scammed others either.

So, whilst Mr Z is understandably angry about losing his money, I must take into account that businesses can fail or be mismanaged such that agreements are breached and agreed services aren't provided. And these scenarios amount to civil disputes which banks aren't responsible for. So, whilst the work not being started and the company going into liquidation would clearly be unacceptable to Mr Z, this doesn't mean that his circumstances now meet the high legal threshold for this to be a scam where I would need to be satisfied that it was the L's intention to deceive him from the start. The work not being started isn't, in and of itself, evidence of this being a scam.

In addition to the above, whilst I am unable to share details about a third party and the nature of their relationship with their bank, the evidence I've seen regarding the beneficiary account, indicates that the company account was legitimate and the bank hasn't said it had any concerns about how the account was being operated prior to it going into liquidation. And, whilst I take on board that Mr Z didn't receive the shed he paid for I don't think it necessarily follows that Mr Z was deceived as to the purpose of his payment. Tradesmen often take deposit payments which they then use to pay for other things and customers payments aren't always allocated to their job alone – this is the nature of how this type of business is managed and run.

Overall, I must make my decision based on what I think is most likely to have happened. And, based on the evidence I've seen, I think it's more likely here that L was attempting to operate a legitimate business but he had over-committed and his business faced financial difficulties and ultimately failed. I'm not persuaded that it is more likely than not that he set out from the beginning with the intent to defraud Mr Z. I acknowledge Mr Z's arguments that L took his money when he knew he wasn't going to be able to complete the work due to his business failing. But there is no persuasive evidence that this is the case. It is equally likely,

if not more so, that L was hoping that his business would somehow stay afloat and the work would be able to go ahead.

I've also thought about whether BoS should've done anything else to protect Mr Z. I haven't been provided with any evidence that shows me BoS provided Mr Z with a scam warning when the payment was made but I'm not going to go into detail on this because, given that I'm supportive of BoS decision to conclude this is a private civil dispute, there isn't any basis upon which any further intervention ought reasonably to have caused concern with the payments. So, I can't fairly criticise BoS for not having done more in these circumstances.

Additional compensation

As I don't think BoS has done anything wrong in not upholding Mr Z's complaint, it follows that I'm not persuaded that it needs to pay him additional compensation for this. However, I acknowledge that BoS didn't handle Mr Z's complaint as well as it should've done. It has acknowledged that it provided him with incorrect information, didn't accurately record notes on his file and sent him a link to upload documents that didn't work. BoS has offered Mr Z £125 to apologise for these service failings. I understand Mr Z doesn't think this is enough.

I've carefully considered what Mr Z has said. Having done so, I'm not persuaded it would be fair or reasonable to ask BoS to pay Mr Z any further compensation, over and above the £125 it has already paid. I know that this will be disappointing for Mr Z. However, the role of this service is not to apply punitive measures and our awards for compensation are modest in nature. In cases that involve a consumer losing money, it is recognised that, in the main, the loss of the funds and the harm caused by this are due to actions of the person who received the funds but did not provide the services paid for. In the particular circumstances of this case, I'm satisfied that the amount BoS has offered for its service failings alone is reasonable.

I know this decision will be a huge disappointment to Mr Z. I appreciate how he feels about this case and about his payment being taken and the work not being started or completed. I sympathise with the position Mr Z found himself in and I'm in no way saying he has done anything wrong or that he doesn't have a legitimate grievance against L or his company. But, for the reasons I've explained above, I don't think his circumstances meet the high legal bar for this to be a scam and because of this, I don't think it would be fair to hold BoS responsible for the money he lost.

Overall, I'm not persuaded the payment Mr Z made to L is covered under the FPS rules, and I'm not persuaded that it would be fair and reasonable to require BoS to refund the money Mr Z lost now.

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 Mr Z to accept or reject my decision before 10 April 2026.

Emly Hanley Hayes
Ombudsman