

The complaint

Mr C complains that Bank of Scotland plc trading as Halifax ('Halifax') won't reimburse the funds he lost when he says he fell victim to a scam.

What happened

Mr C says that he invested in a property development company I'll call H in this decision. Between December 2019 and November 2020 Mr C made seven payments to H which totalled £125,000. He says he did not receive any returns.

Mr C reported a fraud claim to Halifax in respect of a £20,000 payment to H. Halifax's notes say he'd previously reported a £10,000 transaction which had been declined. Halifax considered all payments made to H and so did the investigator.

Halifax said Mr C made a high-risk investment which failed so he had a civil dispute with H and should contact H's administrators. Halifax went on to say that it no longer had a record of the warnings provided to Mr C but there was nothing to suggest that had it intervened it would have thought the investment wasn't legitimate.

Mr C was unhappy with Halifax's response and raised a complaint with this service.

The investigator who considered Mr C's complaint didn't recommend that it be upheld. He also thought that Mr C has a civil dispute that Halifax isn't responsible for.

Mr C was unhappy with the investigator's findings and asked for a final decision, so his complaint has been passed to me. He raised points he had found using AI, including that administrators were looking into the movement of funds from H and that H didn't own some of the sites listed in promotional literature.

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

Where evidence is unclear or in dispute, I reach my findings on the balance of probabilities – in other words on what I consider most likely to have happened based on the evidence available and the surrounding circumstances.

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 and the terms and conditions of the customer's account. But there are circumstances when it might be fair and reasonable for a firm to reimburse a customer even when they have authorised a payment.

Halifax was a signatory to the CRM Code at the time the payments were made. Under this code, the starting principle is that a firm should reimburse a customer who is the victim of an

authorised push payment (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 C'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) (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.*

To decide whether Mr C is victim of an APP scam as defined in the CRM Code I have considered:

- The purpose of the payments and whether Mr C thought this purpose was legitimate.
- The purpose the recipient (H) had in mind at the time of the payments, and whether this broadly aligned with what Mr C understood to have been the purpose of the payment.
- Whether there was a significant difference in these purposes, and if so, whether it could be said this was as a result of dishonest deception.

Mr C thought he was investing in a property development company. I haven't seen anything to suggest that he didn't consider this to be a legitimate purpose.

In reaching an answer on what purpose H had in mind, I've considered the wider circumstances surrounding H and any linked businesses. The key information to this case is:

- H completed three different development projects. H also worked on other developments which it then sold to developers when it experienced financial difficulties. The completion of three development projects is strongly indicative of a legitimate business carrying out the activities I would expect of it. Whilst Mr C says that H didn't own one site, he hasn't provided any evidence and it may be that it was one of the projects that was sold.
- I've not seen anything from the administrators of the company to suggest the company was operating a scam or that the transactions carried out by the company and connected companies were done with any intention other than putting investors' funds towards development projects.
- I also haven't been provided with evidence following an investigation by any other external organisation, like the police, which concludes that H intended to use Mr C's funds for a different purpose.
- Mr C raised concerns about where funds sent to H went, and to an investigation by the administrators of H. Administrators discussed in a progress report in January 2024 that there was an ongoing investigation into the movement of funds in H's bank account and that it was reviewing over 12,300 transactions. The aim was to gain an understanding of the purpose and destination of the transactions. In the next progress report in July 2024 administrators said the investigations were complete. There is no evidence of fraud following these investigations and the administration process has now ended.

Having carefully considered all the evidence provided to me, I'm not persuaded there is sufficient evidence to conclude that the purpose H had in mind when it took Mr C's payments was different to his. So, I consider Halifax acted fairly in not considering Mr C's complaint under the CRM Code.

Halifax should have been on the look-out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). And, in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment.

I think the transactions Mr C made were out of character. Halifax says it no longer has evidence of any interventions. But I'm not persuaded that if Halifax asked Mr C the kind of questions I'd expect it to when the payments were made, it would have had any concerns, or that the payment would not have been made. H was a legitimate company that at the time the payments were made was paying returns to other investors. Detailed documentation was provided and there was nothing in the public domain at the time to suggest Halifax should have been concerned that Mr C might be falling victim to a scam.

I'm really sorry to disappoint Mr C, as I know he has lost a significant amount of money. But I'm not satisfied that I can fairly ask Halifax to refund him.

My final decision

For the reasons stated, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 April 2026.

Jay Hadfield
Ombudsman