

The complaint

Mr and Mrs S complain that Bank of Scotland plc ('BoS') hasn't reimbursed the money they lost to a scam.

What happened

Mr and Mrs S have explained that they were introduced to a person I'll refer to as 'L' when they needed some work done on their garden. L attended their property to assess the work required and provided a quote, which they accepted. L asked them to transfer £2,500 upfront for materials. £2,500 was paid via faster payment to L's business account from an account Mr and Mrs S hold with BoS on 13 July 2020.

Subsequently, L dismantled a small shed and lifted a few concrete slabs but failed to carry out any of the other agreed works, and no materials were delivered to Mr and Mrs S' address.

Mr and Mrs S raised a fraud claim with BoS. Amongst other things, they told BoS that L:

- said he'd hired a skip and sent them a fake invoice.
- said he'd ordered materials that were never delivered.
- took payment from their daughter for works on her property that he didn't complete.

BoS declined to reimburse Mr and Mrs S under the provisions of the Lending Standards Board's Contingent Reimbursement Model ('CRM Code') because it said this matter is a civil dispute between Mr and Mrs S and L, who visited their property and carried out some of the work; and came on the recommendation of a reputable trader who had employed him previously.

Mr and Mrs S asked this Service to investigate a complaint against BoS, which our investigators have considered and upheld.

L has since been charged with defrauding Mr and Mrs S and ordered to pay them £2,200, which they have received in full (via instalments of £1,000 on 2 September 2024, £1,000 on 29 November 2024 and £200 on 28 March 2025).

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 broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that its customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account.

When BoS processed the payment to L, it was complying with Mr and Mrs S' instructions, as it is obliged to do. At the time, Mr and Mrs S wanted to pay L and there was no mistake made – their money was sent to the correct account details.

But BoS signed up to the CRM Code, and it was in force when Mr and Mrs S paid L. Under the CRM Code, the starting principle is that a firm should reimburse a customer who has been the victim of an Authorised Push Payment ('APP') scam. The relevant definition of a scam from the CRM Code is that the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent.

The CRM Code is quite explicit that it doesn't apply to all APPs. It says:

DS2(2) This code does not apply to:

(b) 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.

So, in order to determine whether Mr and Mrs S have been the victims of a scam as defined in the CRM Code, I need to consider whether the purpose they intended for the disputed payment was legitimate, whether the payment purposes Mr and Mrs S and L intended were broadly aligned, and then, if they weren't, whether this was the result of a dishonest deception on the part of L.

It's clear that Mr and Mrs S paid L to carry out work on their garden, and that they believed in his legitimacy at the time. But L has been charged with defrauding Mr and Mrs S and, from what I've seen, I'm satisfied that he had no intention of carrying out the work they paid for when he took the disputed payment. I say this because:

- The payment was intended to buy the materials that were needed to complete the work on Mr and Mrs S' garden. This intention is clearly set out in communication between Mrs S and L that's been provided. But I've seen that the payment was moved out of L's business account to a personal account almost immediately upon receipt and dissipated. It was not spent on materials as agreed. L could not work on Mr and Mrs S' property without buying the necessary materials – indicating a lack of intent to carry out the works.
- L has been charged with defrauding others in a similar fashion, and the beneficiary bank has received another fraud report from a customer that paid L for materials before he became unresponsive and failed to carry out the agreed work. I'm persuaded this shows a pattern of L taking payments with no intention of carrying out agreed works over time and not simply a legitimate business in financial difficulties.
- I acknowledge that L attended Mr and Mrs S' property and carried out some menial work, but this isn't unusual in scams of this nature, and I'm not persuaded that it indicates this matter is more likely than not a civil dispute weighed against the other evidence I've seen.

Overall, I don't think DS2(2)(b) applies here.

The CRM Code requires firms to reimburse customers who have been the victims of APP scams, like the one Mr and Mrs S have fallen victim to, in all but a limited number of circumstances. BoS has argued that one of the exceptions applies in this case. It's said that Mr and Mrs S made the disputed payment without a reasonable basis for belief that the payee was person they were expecting to pay, the payment was for genuine goods or services and/or the business or person they were transacting with was legitimate.

I've thought about the argument BoS has raised but overall, I'm satisfied that Mr and Mrs S had a reasonable basis for belief on this occasion and I'm not persuaded that any of the permitted exceptions to reimbursement apply. I say this because they were introduced to L when they reached out to a reputable trader who had completed work for their friend previously. Unfortunately, the trader wasn't available to carry out the work Mr and Mrs S

required but they referred them to L, who they'd employed before. I've seen that Mr and Mrs S were aware that the reputable trader was in contact with L and guiding him, and L referred to him as his 'boss'. Additionally, I've seen that L sent Mr and Mrs S before and after pictures of previous jobs, and that he painted a fence for them to a satisfactory standard prior to them instructing further works and making the disputed payment.

In conclusion, I'm satisfied that BoS ought to have reimbursed the disputed payment under the provisions of the CRM Code, and that the evidence necessary to reach that conclusion was available to BoS when it declined Mr and Mrs S' claim. So, BoS should refund the disputed payment now (minus the amount Mr and Mrs S have recovered from L under a compensation order) and pay interest to compensate Mr and Mrs S for being out of pocket – at a rate of 8% simple per annum from the date their claim was declined under the CRM Code to the date their money was paid back to them from L (instalment dates set out above) or the date of settlement.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint and instruct Bank of Scotland plc to put things right in the way I've set out.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Mrs S to accept or reject my decision before 14 April 2026.

Kyley Hanson
Ombudsman