

## The complaint

Mr M and Mrs M complain that Nationwide Building Society ('Nationwide') won't refund the money they lost after falling victim to a scam.

## What happened

In 2023, Mr M found an investment online with a company I'll refer to as S. S offered a rent-to-rent investment scheme where they sourced properties, refurbished them, then sub-let them to a social housing provider.

Mr M made two payments from his joint Nationwide account. The first payment made in November 2023 was for £15,700 and the second payment made in January 2024 was for £44,700. Both part payments were made to N – a law firm acting on S's behalf. The agreed monthly return in respect of the first payment was £675 and on the second payment it was £1,905.

Ultimately, the returns stopped being paid and Mr M and Mrs M raised a fraud claim with Nationwide through a professional representative.

Nationwide said they were unable to give Mr M and Mrs M an answer on their claim as they needed additional information relating to the scam.

Mr M and Mrs M weren't happy with Nationwide's response, so they brought a complaint to our service.

An investigator looked into their complaint and upheld it. The investigator was satisfied that Mr M and Mrs M had lost their funds as the result of an APP scam, which is covered by the Contingent Reimbursement Model Code (CRM Code). The investigator wasn't satisfied that Nationwide could rely on an exception to reimbursement, so Mr M and Mrs M were entitled to a refund of their outstanding loss – being £33,925.

Mr M and Mrs M accepted the investigator's opinion. However, Nationwide didn't accept it and raised the following points:

- It's unclear why we initially said that S wasn't an APP scam, then changed our position and said that it was an APP scam.
- Nationwide haven't been made aware of any new information that we have obtained in reaching this conclusion.
- We have conflated investment mis-selling with fraud and made assumptions about what we believe S should have known about other rent-to-rent companies that investors' funds were moved to.
- It isn't evident that Mr M's funds were out of his control at the point they were moved to N, or what evidence we relied on in reaching this conclusion.

We responded to Nationwide addressing the points they had raised and sharing the evidence we had relied on in reaching our answer that this was more likely than not a scam.

## 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 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 most likely to have happened in light of the available evidence.

In broad terms, the starting position at law is that Nationwide are 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. Here it's not in dispute that these payments were authorised by Mr M, although he did so not realising that he was the victim of a scam.

### Are Mr M and Mrs M's payments covered by the CRM Code?

Nationwide are a signatory of the CRM Code, which requires firms to reimburse customers who have been the victims of Authorised Push Payment (APP) scams, in all but a limited number of circumstances.

The CRM Code defines what is considered an APP scam as, "*where the customer transferred funds to another person for what they believed were legitimate purposes, but which were in fact fraudulent*".

In order to decide whether Mr M and Mrs M meet the definition of an APP scam, I need to decide whether the purpose they had for making the payments, and S had for obtaining the payments, were broadly aligned. And, if there is a significant difference in these purposes, whether it was as the result of dishonest deception.

We have already shared a detailed explanation with Nationwide on why we believe S was an APP scam, rather than a failed investment, and I won't repeat that explanation here. But I will highlight the key points, which are:

- Rather than paying a landlord directly, S passed investors' funds to other companies which were operating rent-to-rent schemes. S didn't have direct relationships with the landlords of the properties and wasn't sub-letting the properties to a social housing provider – as set out in the rent-to-rent agreement with investors.
- Also, investors believed that if S suffered financial difficulties, the agreements with landlords and social housing providers would be transferred into investors' personal names – which suggested it was a risk-free investment. But this wasn't possible when the funds were passed on to other companies operating rent-to-rent schemes, so investors were misled.
- There is evidence that S didn't own some properties that it included in some rent-to-rent agreements, and others were either under construction or not suitable for social housing.
- S continued sending funds to one company operating a rent-to-rent scheme, even

after they had collapsed and stopped paying returns.

- S paid £2m more in returns than it received in legitimate income which was most likely to attract new investors – similar to a Ponzi scheme.
- S invested approximately £740,000 of investors' funds with a trading platform which didn't align with the agreements signed by investors.

Based on the evidence, I'm satisfied that it's more likely than not that S were operating an APP scam and obtained Mr M and Mrs M's fund by dishonest deception.

I'm aware that Mr M and Mrs M paid the funds to N, a law firm. However, I'm satisfied that it's more likely than not N were acting on behalf of S, with all funds sent to it forwarded on to S. So, once the funds had been paid to N, they were no longer under the investor's control. I'm not satisfied that N had a "client" relationship with Mr M and Mrs M or that they were acting on Mr M and Mrs M's behalf. On that basis, I'm satisfied that the involvement of N doesn't mean the payment isn't covered by the CRM Code.

So, I'm satisfied that it more likely than not S intended to scam Mr M and Mrs M and their payments are covered by the CRM Code.

As I'm satisfied that Mr M and Mrs M's payments are covered by the CRM Code, I've considered whether Nationwide can rely on an exception to reimbursement.

#### Can Nationwide rely on an exception not reimbursement?

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

- 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 service; and/or the person or business with whom they transacted was legitimate.
- The customer ignored effective warnings, by failing to take appropriate action in response to such an effective warning

*\* There are further exceptions outlined in the CRM Code, but they don't apply to this case.*

I'm satisfied that Mr M and Mrs M had a reasonable basis for believing the investment was genuine because:

- Mr M checked that S and N were registered on Companies House – which they were. He also checked online for reviews and only saw positive reviews.
- Mr M checked S's website and reviewed the documentation provided by S, both were professional and appeared legitimate.
- N asked Mr M for evidence of the source of his investment funds, which added legitimacy to the investment. Also, the fact that a law firm was involved was reassuring to Mr M.
- Mr M saw an advert for the director of S, who was speaking at an event about winning the HMO award for 2022.
- Mr M was offered the opportunity to visit the property but was unable to attend due to the distance from his home and his lack of availability. But this offer to see the property reassured Mr M.

Based on the information available to Mr M and Mrs M, I'm satisfied that they had a reasonable basis for believing this was a legitimate investment opportunity. So, Nationwide can't rely on this exception to reimbursement.

Nationwide haven't said or evidenced that an effective warning was provided when Mr M and Mrs M made these payments, so they can't fairly say Mr M and Mrs M ignored an effective warning and can't rely on this exception to reimbursement either.

As Nationwide can't rely on an exception to reimbursement, Mr M and Mrs M are entitled to a refund of their outstanding loss, taking into account the returns they received on their investment. With returns of £26,475, Mr M and Mrs M should be refunded £33,925.

#### Preventing double benefit and the interest award

I'm aware that investigations by the Official Receiver and police might result in some recoveries for S's investors. In order to avoid the risk of double recovery, Nationwide is entitled to take, if it wishes, an assignment of the rights to all future distributions under the administrative process before paying the award.

As Mr M and Mrs M have been deprived of the use of these funds they are entitled to be paid interest on their refund. In this case, interest should be calculated from the date of the investigator's view (12 February 2026) to the date of settlement. I have used the date of the investigator's view, as this is the point at which Nationwide had enough information and evidence to decide that Mr M and Mrs M were the victims of an APP scam under the CRM Code.

#### **Putting things right**

To put things right I require Nationwide Building Society to:

- Refund Mr M and Mrs M's outstanding loss of £33,925
- Pay 8% simple interest per year on the refund, calculated from 12 February 2026 to the date of settlement.
- In order to avoid the risk of double recovery, Nationwide is entitled to take, if it wishes, an assignment of the rights to all future distributions under the administrative process before paying the award.

#### **My final decision**

My final decision is that I uphold this complaint against Nationwide Building Society and require them to compensate Mr M and Mrs M as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M and Mrs M to accept or reject my decision before 12 May 2026.

Lisa Lowe  
**Ombudsman**