

The complaint

Miss N complains Nationwide Building Society won't refund about £130,000 she says she lost to an investment scam.

What happened

Miss N met a man on an online dating app, I'll call him "A". A told Miss N he was a professional trader and that he traded cryptocurrency in his spare time, as a hobby. He offered to teach Miss N.

At A's instruction, Miss N opened a cryptocurrency wallet with Coinbase. Over a two-week period in March and April 2022, Miss N transferred approximately £130,000 to Coinbase from her Nationwide account, which was later transferred to the scammer via another platform. To fund these payments Miss N used her savings, borrowed money from a relative and took out a loan with another financial business, which credited her account on 11 April 2022. Some transactions were returned unpaid, but I've set out the successful transactions here for clarity.

Transaction	Date	Amount	Type	Paid to
1	30 March 2022	£300	Faster Payment	Coinbase
2	30 March 2022	£20	Faster Payment	Coinbase
3	30 March 2022	£6,080	Faster Payment	Coinbase
4	31 March 2022	£10,000	Faster Payment	Coinbase
5	31 March 2022	£10,000	Faster Payment	Coinbase
6	31 March 2022	£10,000	Faster Payment	Coinbase
7	1 April 2022	£10,000	Faster Payment	Coinbase
8	1 April 2022	£10,000	Faster Payment	Coinbase
9	1 April 2022	£10,000	Faster Payment	Coinbase
10	10 April 2022	£10,000	Faster Payment	Coinbase
11	10 April 2022	£5,000	Faster Payment	Coinbase
12	11 April 2022	£10,000	Faster Payment	Coinbase
13	11 April 2022	£10,000	Faster Payment	Coinbase
14	11 April 2022	£10,000	Faster Payment	Coinbase
15	12 April 2022	£1,000	Coinbase App	Coinbase
16	12 April 2022	£10,000	Faster Payment	Coinbase
17	12 April 2022	£10,000	Faster Payment	Coinbase

Miss N realised she might be the victim of a scam when she was repeatedly asked to pay additional money in order to withdraw from the investments.

Miss N contacted Nationwide and complained they didn't contact her about any of the payments she had made and said had they done so, they could've prevented her loss.

Nationwide responded to Miss N's complaint. They said the Contingent Reimbursement Model (CRM) didn't apply to Miss N's transactions, since they had all been paid to another account in her name. They said they had fraud prevention measures in place but this wouldn't always pick up payments that were part of a scam and, they felt, Miss N hadn't

taken reasonable steps to satisfy herself the investment was genuine before making the payments.

Unhappy with this response, Miss N referred her complaint to our service.

An Investigator considered Miss N's complaint. She recommended it was upheld. She initially said Nationwide should refund Miss N 50% of the transactions and pay 8% interest on this amount, which Nationwide agreed to do. But, following further submissions from Miss N, she recommended Nationwide refund all the transactions Miss N had made to Coinbase from the first payment of £10,000 onwards and pay 8% interest on this amount.

Nationwide didn't agree, they maintained Miss N should bear some liability for the transactions since, in their view, she'd failed to do any independent checks at all and took the word of someone she'd only known for a few weeks and had never met in person.

As Nationwide didn't agree, the complaint was passed to me to decide.

I issued a provisional decision. I've set out my provisional findings again below and they form part of this decision.

Provisional Findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Miss N's complaint in considerably less detail than she has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

There appears to be no dispute Miss N has been the victim of a cruel scam nor that she authorised the payments to Coinbase. The payments were made by Miss N, using the security credentials provided by Nationwide, or via the Coinbase App.

Generally, financial businesses should follow their customers' instructions in relation to legitimate payments and, as I've already explained, Miss N did instruct Nationwide to make these payments. However, there are some situations in which a financial business should reasonably have looked more at their customers' payments before allowing them to proceed. So I've also considered whether Nationwide should have done more to prevent Miss N from falling victim to the scam.

Miss N's first payment to Coinbase was a payment of £300 on 30 March 2022 and then followed by payments of £20 and £6,080. I don't think these were enough to have prompted an intervention by Nationwide considering the amounts and Miss N's usual account activity. However, Miss N then made a payment of £10,000 on 31 March 2022. This marked a significant increase in the size of the payments to Coinbase and was a large amount compared with Miss N's usual account activity. So I think this payment should have prompted an intervention from Nationwide.

If Nationwide had contacted Miss N about this payment, I would have expected them to have asked questions about the nature of the payment.

Miss N has told us she was told to lie to Nationwide if they questioned her about any of the payments. I can see from the messages between her and the scammer she was told to say the payments were for savings/property purchase. She's said she told the scammer she wasn't prepared to do that. But, having reviewed the messages between Miss N and A, she didn't question being told to lie to Nationwide when A mentioned this. I think Miss N ought to have realised this was an odd thing for A to say – since if the trading he was encouraging her to do was all legitimate –she wouldn't need to lie to Nationwide.

And, when Miss N asked a family member to borrow money to make further payments – she told the scammer she didn't tell this family member the full story. Which suggests to me she had some reservations about it – so I think it's likely Miss N wouldn't have been completely forthcoming if Nationwide had intervened in any of the payments, at least not initially.

Even if Miss N had followed A's suggestion and not been truthful if Nationwide had intervened in her payments, I still think Nationwide ought to have been able to spot that Miss N was falling victim to a scam. I say this because the explanation A told her to give Nationwide about the payments being for a property should have prompted Nationwide to question her further, given that it would be highly unusual for payments for a property to go via a cryptocurrency exchange. And I think it's likely any answers she gave to the further questioning wouldn't have stood up to the scrutiny I would expect Nationwide to have shown. Also, based on Miss N's concerns at the time, I think if Nationwide had questioned her and explained they were concerned she might be being scammed I think this would've prompted Miss N to realise something was wrong. So if Nationwide had spoken to Miss N about the payments, I think the scam would likely have been uncovered.

As well as Nationwide not asking Miss N about the £10,000 on 31 March 2022, on some occasions Miss N made payments to Coinbase totalling £30,000 in a single day and still Nationwide did not contact her about any of the payments.

Overall, I think Nationwide could have stopped Miss N from falling victim to the scam if they'd spoken to her about the payments she was making, but particularly the one on 31 March 2022. Had they done so, this also means Miss N wouldn't have taken out the loan she eventually did and was paid into her account on 11 April 2022.

Contributory Negligence

There's a general principle that consumers are responsible for their actions. So I've considered whether that means Miss N should take some responsibility for the transactions in this particular case.

Miss N has told us she didn't do any research on the "trades" A was encouraging her to make. She said she trusted him because, she thought, they were building a romantic relationship and because he had said he traded for work and as a hobby. But she had only met him online about a week before she began making trades on his advice and she had never met him in person. And as I've already mentioned, Miss N had been told to lie to Nationwide about the transactions, which ought to have given her reasonable cause for concern that something wasn't right. I also think some of the messages between Miss N and A show that she had reservations about the payments she was being asked to make, despite this she decided to continue making the payments.

So I'm satisfied that Miss N's actions have contributed to her loss, such that she should share responsibility with Nationwide. And I'm satisfied a deduction of 50% is fair and reasonable in the circumstances.

Nationwide aren't obliged to refund the payments under the CRM, because, as they explained to Miss N at the time of her original complaint, the CRM doesn't cover payments made to accounts held in the same name.

It's unclear whether Nationwide made any attempts to recover the funds Miss N had lost when she reported the scam to them. But Miss N says she sent the funds from her Coinbase account to the scammers straight away, so it seems unlikely there would've been any money remaining for Nationwide to recover in any event.

Provisional Decision

For the reasons I've explained, I plan to partially uphold Miss N's complaint.

To put things right, I intend to require Nationwide Building Society to:

- *refund Miss N 50% of the total amount she sent to Coinbase from transaction four (above) onwards.*
- *Pay Miss N 8% on this amount from the date it was paid to the date of settlement.*

Responses to my provisional decision

Miss N responded to say she didn't agree that a 50% deduction was appropriate. She doesn't think any deduction should be made, but at most felt a 20% deduction would be fairer. I've summarised her reasons below:

- Nationwide had more opportunities than she did to discover the scam given the number of transactions and failed attempts to send the money to Coinbase.
- She received loans that were immediately transferred out.
- She was emptying her account in favour of a cryptocurrency exchange – this is a well-known indication of a scam.
- She said A told her to lie about the reasons for obtaining the loan after the initial application had been declined.
- Miss N says she did do some research about the trading process. But she was unlikely to discover the other platform was not genuine because it's not listed on the Financial Conduct Authority (FCA) register.
- Miss N says she was vulnerable, lonely, and stressed at the time of the scam and this should be taken into account.

Nationwide responded to say they accepted my provisional 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.

As before, I've considered everything that's been provided – including Miss N's detailed response to my provisional decision. I've summarised that response above but I can assure her I've considered all her points, even if I haven't specifically mentioned them in my decision. I'm only going to address here the ones that are relevant to the crux of her complaint.

I explained in my provisional decision that I thought if Nationwide had contacted Miss N about the payments, they would likely have uncovered the scam. And I agree with Miss N that they had several opportunities to do so. So the starting point is Nationwide are

responsible for Miss N's loss from the first transaction I've said should have triggered their involvement above.

Turning to contributory negligence, Miss N doesn't agree that she should be responsible for any of her loss and if she is, she believes the deduction should be 20% at most.

Miss N says she did do some research about the general trading process A was proposing but was unlikely to discover that the other platform was a cloned genuine website. I agree I don't think she would've discovered this since it doesn't appear on the FCA's register of cloned websites. But I've already said I agree that Nationwide should've uncovered Miss N was being scammed and there are other reasons I think Miss N's own actions contributed to her loss, which I've explained below. So I don't think this point alone changes Miss N's position.

There's no dispute Miss N trusted A. That's not surprising, since building trust is a key part of a successful scam and I don't think Miss N would've made the payments had she not trusted him. Miss N says A's identity would've been verified by the online dating platform they were using. But even if A was using his real identity, I must still consider whether Miss N's actions were reasonable, in the context of the circumstances she was in at the time.

Miss N says A only told her to lie in relation to the loan application on 7 April 2022. But, in an earlier message exchange on 31 March 2022 Miss N asks "What do I say if my bank calls?" and A responded "...to use it for savings and to buy a house in the UK". Miss N says she didn't see this as a lie (when A said it in the context of the loan application) as she intended to use the money she thought she was going to make from the investments for these purposes. But that wasn't the true purpose of the transactions she was actually making at the time.

Since that wasn't the truth and this exchange took place before the loan application, I'm satisfied A suggested Miss N should lie to Nationwide if they contacted her about the payments. As we know, Nationwide didn't contact her about the payments. But, either way, A told Miss N to lie to Nationwide and the other financial businesses involved, more than once. He also suggested she lie to the family member she later asked to borrow money from. So I still think this ought to have given Miss N reasonable cause for concern that something wasn't right.

Miss N also sent a message later the same day saying "...are you sure you are not dodgy". Which illustrates what I said in my provisional decision about Miss N seemingly having reservations about the payments she was making, but continued making nonetheless.

Miss N also questioned my finding that she hadn't told her family member the whole story – she said she had told him the purpose of the loan she was asking for - investing. That may be true, but one of her messages to A on 7 April 2022 said "I didn't tell him I invested all my money. He will have a heart attack." So I still think Miss N had held back some of the details and that she likely did so because she knew, or suspected, the family member would have concerns about what she was doing if they knew the full picture. So again this indicates Miss N's awareness that other people might have concerns about the payments she was making and I think this too should have prompted her to realise the situation wasn't all it seemed.

Miss N has explained because of her circumstances at the time, she was vulnerable, lonely and, as the scam went on, stressed because of the pressure to make further payments. It's clear that the scam happened at what was an already difficult time for Miss N. I'm sorry to hear of all that she's been through both at the time of the scam and since. It's also clear the scam has had a very significant emotional impact on Miss N – as well as the financial

impact. I've thought carefully about what Miss N has told us about this and I can understand why she feels these things will have affected her decisions at the time of the scam.

I've already explained that I agree Nationwide should've done more so I don't think what Miss N has said about this changes the overall outcome of her case or should fairly reduce her own liability. I say this because although I think Nationwide is partly responsible for Miss N's financial loss, I don't think I can fairly conclude they are also responsible for A's actions in deceiving Miss N by pretending to build a romantic relationship for the purposes of scamming her. And, for the reasons I've explained, I think there were things that should've alerted Miss N that she was potentially being scammed. Though I do understand everything Miss N has told us about the long-term impact this has had on her.

Miss N transferred more than £130,000 on the instructions of a man she had met, online, about a week earlier and whom she'd never met in person. To all intents and purposes, this man was a stranger to Miss N. And for the reasons I've set out here and in my provisional decision, I think there were several things that should have given Miss N cause for concern during her interactions with A – though I accept that she says they didn't at the time. So while I'm sorry to disappoint Miss N, I'm still satisfied her own actions have contributed to her loss such that a deduction of 50% is fair and reasonable in the circumstances.

My final decision

For the reasons I've explained, I partially uphold Miss N's complaint.

To put things right, I require Nationwide Building Society to:

- Refund Miss N 50% of the total amount she sent to Coinbase from transaction four (above) onwards.
- Pay Miss N 8% simple interest per year on this amount from the date it was paid to the date of settlement.

If Nationwide considers that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Miss N how much they've taken off. They should also give Miss N a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 9 April 2024.

Eleanor Rippengale
Ombudsman