

The complaint

Mr B complains that THE CO-OPERATIVE BANK P.L.C. ("Co-op") won't refund the money he lost after falling victim to a scam.

What happened

In 2019 Mr B was contacted by someone who said they worked for an investment firm, which I'll refer to as K. Mr B was introduced to a broker, who said they would make trades on his behalf. Mr B was told to open cryptocurrency wallets and download screen sharing software.

Unfortunately, this was a scam.

Mr B made 203 payments from his Co-op account between June 2019 and October 2020, which totalled £1,682,242.75. During this time Mr B also received credits into his account of £1,105,750.62 from other individuals investing with K.

Mr B realised it was a scam when he was unable to withdraw his investment and he raised a fraud claim with Co-op.

Co-op declined to refund Mr B saying they hadn't received the information they needed to look into his claim.

Mr B wasn't happy with Co-op's response, so he brought a complaint to our service.

An investigator upheld Mr B's complaint, recommending that Co-op refund 50% of his outstanding loss from payment four onwards – being £231,828.86. The investigator felt Co-op should've been concerned and intervened when Mr B made payment four and, if they had, the scam would've been uncovered and Mr B's loss prevented. The investigator's recommendation took into account an additional £98,229.68 that Mr B was able to withdraw from one of his cryptocurrency wallets.

Mr B accepted the investigator's recommendation. However, Co-op didn't agree and asked for an ombudsman to review the case. Co-op raised the following points:

- They had multiple conversations with Mr B and asked if he was satisfied with the risks he was taking in respect to crypto and he reassured them he fully understood and had completed lots of research before investing – which wasn't true.
- When Mr B was questioned about the credits paid into his account, he misled Co-op saying he was investing on behalf of friends and old business partners.
- Mr B should've been aware of the FCA warning posted in 2018 if he had completed checks before investing.
- While the messages between Mr B and the scammer don't show coaching, it's more likely than not he was coached on his phone calls with the scammer.
- Regardless of what warnings Mr B was given he would've continued making payments, as he disregarded warnings about the closure of his account should he

continue to receive funds and invest on behalf of others.

The investigator set out the payments in a table as part of their view and I won't repeat it here. I have reviewed the bank statements and can see that the investigator made a slight error in the table.

For payments 200-202 made on 15 October 2020, the total should be £9,804 not £12,434. This is a typo and doesn't affect the redress they recommended, which was correctly calculated.

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 more likely than not happened considering the available evidence.

In broad terms, the starting position at law is that Co-op is 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. It's not in dispute that Mr B authorised these payments, although he did so not realising he was the victim of a scam. But that doesn't make the payments unauthorised, so the starting position is that Co-op isn't liable for his loss.

There are, however, some situations where we believe that businesses, taking into account relevant rules, codes and best practice standards, shouldn't have taken their customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Co-op also has a duty to exercise reasonable skill and care, pay due regard to the interest of its customers and to follow good industry practice to keep customer's accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Having reviewed all of the evidence, I've reached the same answer as the investigator and for the same reasons. I'll explain why.

Why I'm satisfied that Co-op should refund Mr B from payment four onwards

By the time Mr B made payment four, I'm satisfied that Co-op should've been concerned and contacted him to discuss the payment. Payment four was identifiably related to cryptocurrency and Co-op should've been aware of the increased risk associated with cryptocurrency transactions. Also, the payment was for £9,370.36 and meant Mr B had sent payments totalling over £18,000 in the space of three days. So, Co-op should've identified a potential risk of financial harm from fraud.

As part of their intervention, Co-op should've asked Mr B questions about why he was making the payments and the ultimate destination of the funds. If Co-op had asked open

questions about why Mr B was moving the money and what the payments were for, I think it's more likely than not he would've told them that it was for an investment and that he was dealing with a broker. I note that during contact on later payments, Mr B told Co-op that he was comfortable with the company he was sending the money to and that he had researched them. But Co-op should be asking probing questions about what type of research he had completed, how he'd found the investment and what return he was expecting – which doesn't appear to have been the case. They also should've been alive to cryptocurrency investment scams and the common features associated with them.

If they had asked these types of questions, I'm persuaded it's more likely than not Mr B would've told them that he was cold called by someone who said they worked for K. I also think Mr B would've told Co-op that he was expecting a rate of return over 9% and that he believed his investment was "safe".

Based on the information available to Co-op, they should've identified that Mr B was most likely the victim of an cryptocurrency investment scam and explained the key features of these scams and how they work. They should have highlighted that these scams involve someone claiming to be a broker who will place trades on investors' behalf; the investment is often found on social media or through cold calls; the scam often involves the downloading of screensharing software and that scammers can provide what appears to be legitimate looking platforms to track the investments performance.

Mr B wasn't aware these types of scams exist, what their key features are, or what sort of checks he should complete to ensure he wasn't dealing with scammers. When Mr B made payment four, he was early into the investment, so he hadn't heavily invested and I'm persuaded it's more likely than not a proper warning would've resonated with him and prevented him from making further payments.

I haven't seen any evidence that Mr B was given this type of warning by Co-op or any other financial institution, so there isn't any evidence to suggest Mr B would've ignored this type of warning. Co-op say Mr B continued making payments when they threatened to close his account, however this related to credits made into Mr B's account (which were sent on to the scammers) and there is no evidence that an investment scam warning was given which he ignored.

While Mr B may've received some coaching from the scammers in how to answer questions Co-op may've asked. Co-op were aware that Mr B's payments were being made to a cryptocurrency exchange, that he had made three high value payments, and that the frequency of the payments appeared to be increasing. All of which were concerning signs and indicative of potential financial harm from fraud.

So, I'm satisfied that Co-op should've provided a warning when Mr B made payment four, and such a warning would've more likely than not prevented Mr B's loss from payment four onwards.

Why I'm satisfied it's fair for Mr B to share responsibility for his loss with Co-op

In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint.

I'm satisfied it's fair for Mr B to share responsibility for his loss for the following reasons.

I can't see that Mr B completed any checks on the broker/account manager or K before making his investment. If Mr B had completed checks, it's more likely than not he would've seen the FCA warning from 2018. I think a reasonable person would've completed basic

checks on the person and company they believed they were dealing with. I say this as Mr B was cold called and it's unclear how the broker or K would've obtained his contact information. Also, I can't see that Mr B was given any of the usual documentation that would be expected from a genuine investment company.

Also, Mr B was told he would make significantly more in returns than on his existing investments, and that his investment was secure. Mr B should've been concerned about an offer that appeared to be too good to be true, especially when it was unsolicited and from someone he didn't know.

As I'm not satisfied that Mr B took reasonable steps to confirm the legitimacy of the investment, the broker or the company he believed he was dealing with, it's fair for him to share responsibility for his loss with Co-op. So, the refund from payment four onwards should be reduced by 50%.

Calculating the redress

Mr B made payments totalling £1,682,242.75 and received credits into his account totalling £1,105,750.62. He was also able to withdraw £98,229.68 from a cryptocurrency wallet. This means his outstanding loss is £478,262.45.

I'm not recommending that Co-op refund payments one to three, which total £14,604.72 and I'm only recommending a 50% refund. So, the net amount Co-op needs to refund is £231,828.86.

As Mr B has deprived of the use of these funds he is entitled to 8% simple interest per year on his refund, calculated from the date of the payments to the date of settlement.

Putting things right

To put things right I require THE CO-OPERATIVE BANK P.L.C. to:

- Refund Mr B £231,828.86, and
- Pay 8% simple interest per year on the refund, calculated from the date of the payments to the date of settlement.*

*If Co-op considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint against THE CO-OPERATIVE BANK P.L.C. and require them to compensate Mr B as set out above.

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

Lisa Lowe
Ombudsman