

## The complaint

Mrs S complains that The Co-operative Bank Plc (“Co-op”) has refused to refund over £26,000 she says she lost to an investment scam in January 2022.

## What happened

The details of this complaint are well known to both parties, so I won’t repeat everything again here. Instead, I will provide a brief summary and focus on giving the reasons for my decision.

Following the death of her husband, Mrs S joined an online group for young widows with children. She struck up a friendship with a man (“M”) who claimed that he was also widowed with children. They spoke over the phone daily over the next few months and he also supported her when she was receiving treatment in hospital.

In December 2021, Mrs S told M that she had just received an insurance pay out of £29,000. M encouraged her to invest it in cryptocurrency as he said she could triple her money. He recommended a broker based in Sweden – Ted Howard Financial Consulting – that he used, where he said she could invest in virtual property on the Metaverse. She began by investing £10,000 using her Co-op debit card, and over the course of around three months she transferred over £26,000 to a crypto account she had opened, where the funds were then forwarded to Ted Howard’s wallet.

Mrs S realised she had been scammed when both M and Ted blocked her when she requested to withdraw her money. Co-op refused to refund the money she lost as she had authorised the payments. Our investigator also didn’t uphold Mrs S’s complaint. He thought that the bank ought to have questioned Mrs S about the £10,000 payment she was making in January 2022 but didn’t think this would have stopped her from making it due to the trust she had built with M. Mrs S disagreed, so the matter was escalated to me to determine.

I issued my provisional decision in June 2023. I said I was minded to uphold Mrs S’s complaint and set out the following reasoning:

*It isn’t in dispute that Mrs S has fallen victim to a scam here, nor that she authorised the disputed payments she made to her crypto platform using her Co-op debit card (where her funds were subsequently transferred on to the scammers from her crypto wallet). The payments were requested by her using her legitimate security credentials provided by Co-op, and the starting position is that banks ought to follow the instructions given by their customers in order for legitimate payments to be made as instructed.*

*However, I’ve considered whether Co-op should have done more to prevent Mrs S from falling victim to the scam, as there are some situations in which a bank should reasonably have had a closer look at the circumstances surrounding a particular transfer. For example, if it was particularly out of character.*

*Having reviewed the disputed payments made by Mrs S, I am satisfied there were*

enough 'triggers' in this case to have alerted a responsible regulated bank such as Co-op that her account was being subjected to unusual and uncharacteristic activity from the £10,000 debit card payment she made to Simplex Elastum on 10 January 2022. The only other large payments I can see being made from Mrs S's account in the past are transfers to herself. There are no other debit card payments of a similar amount being made from her account in the months leading up to the scam.

So, I'm satisfied Co-op ought reasonably to have identified the transaction to Simplex Elastum as unusual and uncharacteristic. Therefore, it would have been reasonable for it to have properly questioned Mrs S about the nature of the payment before processing it in order to satisfy itself that all was well. It seems that Co-op did have some concerns about this payment, as I understand it sent her a text message asking her to confirm it was genuine.

However, given the value and unusual nature of this transaction, I do not consider a text message to have been proportionate in the circumstances. There were reasonable grounds to suspect a fraud or scam, and therefore justify an intervention (such as phoning Mrs S in order to ask discreet questions about the nature and purpose of the payments). So, I'm not persuaded that Co-Op's intervention went far enough, as no attempt to contact her to ask about the payment was made.

If Co-op had fulfilled its duties and carried out due diligence by contacting Mrs S and asking suitably probing questions, I've seen no reason to suggest she wouldn't have been forthcoming about what she was doing, and how she came to find out about the investment. Had the bank contacted her, it would have likely discovered that Mrs S had met someone online whom she'd struck up a close relationship with – but had never met before – who was now encouraging her to invest a significant sum of money into cryptocurrency.

It is clear that Mrs S has fallen victim to a cruel romance scam while she was vulnerable, and Co-op ought reasonably to have known the warning signs of someone falling victim to such a scam, such as the scammer spending time building a relationship before talking about money, and always having excuses as to why they cannot meet in person. The circumstances of the investment also would've sounded highly suspect, as Mrs S says she was told that she could triple her £29,000 investment within a matter of months. She was also told that she would be investing in "virtual property" on the metaverse – which would've sounded highly dubious – and the bank would have discovered that she had been asked to open a cryptocurrency account to transfer money over to the investment broker, which Co-op would've known is a common hallmark of these sorts of investment scams.

Overall, there were several warning signs surrounding the circumstances of Mrs S's payment that it would have discovered had it questioned her. These are all common hallmarks of a romance/investment scam, so I consider there would have been reasonable grounds for suspicion here. So, Co-Op ought reasonably to have provided a scam warning in light of all the information then known to financial professionals about the risks of these sorts of scams.

Mrs S has said herself that she was sceptical about the investment as it all sounded too good to be true, but she was simply told to trust the scammer as he knew what he was doing. If Co-op had provided a warning about romance or cryptocurrency investment scams, I believe that Mrs S would have paused and looked more closely into the investment before proceeding. There is no evidence that she was willing to take high risks or had a history of speculative investments or gambling. And given she was sceptical to begin with, it seems more probable that she would have carried

*out further research into romance related investment scams and would have discovered that this was what was likely happening to her. In other words, I am satisfied that a warning to Mrs S from her trusted bank would probably have exposed the scammers false pretences and would have prevented any of her losses to the scam. So, I intend asking Co-op to refund the disputed payments she made.*

### Contributory negligence

*Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their decisions (see s.1C(d) of our enabling statute, the Financial Services and Markets Act 2000).*

*Mrs S says she carried out some research by looking at the broker's website firstgroupfinancial.com. I appreciate she was told by the scammer to trust him as he knew what he was doing. But she said she was sceptical about the investment, and found it all too good to be true. And given the things she was told – such as being able to triple her money in months, as well as investing in “virtual property” – I can understand why she had doubts, but it ought to have put her on notice that something wasn't right.*

*Given the significant amount Mrs S was investing, as well as the doubts she said she expressed at the time, it's reasonable to expect a sufficient degree of independent research to be carried out to be satisfied the investment opportunity was actually genuine. But despite having concerns, Mrs S decided to proceed with the risk without carrying out any further checks. So, I'm satisfied that it would be fair and reasonable for Mrs S to share responsibility for her loss in these circumstances, and I consider a deduction of 50% to be reasonable.*

### Interest

*Mrs S has said that if she hadn't fallen victim to the scam, she would have used the insurance money she received towards her son's university tuition, as well as for other purposes such as mental health counselling. As such – given that Mrs S has effectively been deprived of the money she could have otherwise used – I intend awarding 8% simple interest on the money Co-op will be refunding.*

I invited further comments and evidence from both parties. Mrs S accepted the proposals set out in my provisional decision. Co-op failed to respond by the deadline with any further submissions.

### **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.

Given that neither party had any further comments or evidence to put forwards, I see no reason to depart from the conclusions set out in my provisional decision. It follows that I uphold this complaint.

### **My final decision**

For the reasons given above, I uphold this complaint and direct The Co-operative Bank Plc to:

- Refund the disputed payments Mrs S made to the scammer from 10 January 2022

onwards, less a 50% deduction in recognition of Mrs S's own responsibility towards her loss;

- Pay 8% simple interest per year on this amount from the date the payments were made to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 3 August 2023.

Jack Ferris  
**Ombudsman**