

Complaint

Mr and Mrs M are unhappy that HSBC UK Bank Plc didn't do more to help them when they were the victims of a scam.

Background

In 2020, Mr and Mrs M were in the process of moving to a new house and had to transfer a large sum of money to their solicitor. They sent one payment of £343,000 and another of £38,000 to the account details that were provided to them in an email. Unfortunately, their solicitor's email account had been compromised and the email they received was actually sent by a scammer who substituted their own account details for those of the solicitor.

On 13 October, realising that they'd fallen victim to a scam, they notified HSBC. HSBC eventually refunded the money they lost on 27 November. They were able to complete the purchase of their home on 17 December. In addition to paying Mr and Mrs M a refund of the money they lost as part of the scam, HSBC has also paid them £200 in recognition of the distress and inconvenience that it caused to them.

Mr and Mrs M weren't happy with the compensation offered by HSBC and so they referred a complaint to this service. It was looked at by an Investigator who upheld it.

The Investigator recommended that HSBC pay:

- The costs Mr and Mrs M incurred by keeping their possessions in storage from the date they should've completed on the purchase and the date they actually did. He thought those costs were a reasonably foreseeable consequence of HSBC's failure to prevent the scam.
- A further £800 in recognition of the distress and inconvenience that had been caused to Mr and Mrs M (so £1,000 in total).

HSBC agreed to settle the complaint in line with the Investigator's recommendations. However, Mr and Mrs M didn't think this proposal was a fair one. Mrs M argued that HSBC should be expected to pay 8% simple interest per year on the sum they lost. She also wasn't persuaded that an award of £1,000 for distress and inconvenience really recognised the impact of this loss on them.

Because Mr and Mrs M disagreed with the Investigator's opinion, the complaint has been passed to me to consider and issue a final decision.

Findings

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

HSBC has already accepted that it should've done more to prevent the scam and has paid a full refund. The only matter left for me to decide is whether that refund is fair compensation or if HSBC ought to pay further compensation to Mr and Mrs M.

I've considered this matter carefully, including the comments Mrs M sent to our Investigator after he issued his opinion on the complaint. Having done so, I've come to the same overall conclusions as to the Investigator and for broadly the same reasons. I'll explain why.

Financial Loss

The purpose of an award of compensation is to put Mr and Mrs M in the same position that they would have been but for HSBC's failure to prevent them from falling victim to the scam. From the evidence I've seen, the purchase was likely to proceed imminently and so, as a result of the scam, Mr and Mrs M were compelled to spend more on keeping their possessions in storage. I find the recommendation that HSBC refunds the costs of storage between 14 October 2020 and 18 December 2020 to be a fair and reasonable one in the circumstances.

In certain circumstances, I would award 8% simple interest per annum on the loss, but I think that wouldn't be appropriate here. As I explained above, the purpose of this award is to put Mr and Mrs M in the position they would've been in but for HSBC's failure to prevent the scam. If they hadn't fallen victim to the scam, they would've successfully transferred the two payments to complete the house purchase. 8% simple interest is typically an appropriate remedy where someone has been deprived of a sum of money, but for the reasons I've explained, that wasn't the case here.

Non-financial loss

I'm also able to make an award in recognition of the distress and inconvenience that was caused to Mr and Mrs M by the way HSBC handled things. Mrs M has described to us in some detail the impact this loss had. The immediate impact was that they risked not being able to complete the purchase of their new home. But they also faced a frightening uncertainty about their future if they'd lost nearly £400,000 – a sum that they'd gradually built up over the preceding decades. The emotional impact of this loss must have been considerable.

Calculating an appropriate amount of compensation for something like this isn't straightforward. There is published guidance on our website setting out the general factors we consider when calculating awards of this kind. It can be read at the following address: <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience>

An award of between £750 and £1,500 is described in the following terms:

An award of over £750 and up to around £1,500 could be fair where the impact of a business's mistake has caused substantial distress, upset and worry – even potentially a serious offence or humiliation. There may have been serious disruption to daily life over a sustained period, with the impact felt over many months, sometimes over a year. It could also be fair to award in this range if the business's actions resulted in a substantial short-term impact.

I think that what happened to Mr and Mrs M is most appropriately placed in this category. There's no question that HSBC caused substantial distress to Mr and Mrs M – the only mitigation is that it was reasonably prompt in paying a refund and Mr and Mrs M were able to go ahead with the purchase as they'd originally planned.

Final decision

For the reasons I've explained above, I uphold this complaint.

HSBC UK Bank Plc should pay Mr and Mrs M:

- The storage costs they incurred between 14 October 2020 and 18 December 2020. They should add 8% simple interest to these sums from the date Mr and Mrs M paid them until HSBC pays them a settlement.
- £800 in recognition of the distress and inconvenience it caused to them.

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 7 April 2022.

James Kimmitt
Ombudsman