

The complaint

G's complaint, in summary, is that HSBC UK Bank Plc is unwilling to reimburse an unauthorised transaction that occurred in their business current account. G is also unhappy with the way HSBC dealt their claim.

What happened

The background to the complaint is known to both parties and so I won't repeat it at length here.

Briefly, in April 2020 a standing order for about £25,000 was paid from G's business account with HSBC. A few days later G contacted HSBC and advised the bank that they did not authorise the payment and that it was fraudulent. They said they also noticed that two more payments were due to go out over the next two weeks under that standing order but cancelled them.

G wanted HSBC to investigate the matter and refund the sum. HSBC took several months to investigate this and eventually wrote to G that it was unable to support G's claim for reimbursement. In essence the bank said that the payment was either authorised by a person within the business or the log in and security details had been shared with a third party to allow the payment to happen.

Our investigator said that for the payment to be made, it was necessary for a fraudster to know the online banking log in details. In addition, they needed to have access to the Physical Secure Keypad and a pin number to operate it. The investigator said that there is no reasonable explanation in this instance as to how a fraudster had access to all of those. Based on available evidence, the investigator wasn't able to conclude that the payment could have been made by an unauthorised party and therefore didn't think it would be fair to ask HSBC to refund the payment.

However, the investigator noted that HSBC hadn't handled G's claim properly. They said that there was a considerable delay on part of the bank and G had to follow up with the bank several times resulting in avoidable inconvenience to G. So, they said that a payment of £300 to G for this inconvenience is fair.

In addition, the investigator also noted that HSBC failed to inform the recipient bank about the fraud claim. This was despite the bank advising G that it would do so. However, based on the information the investigator obtained from the receiving bank, they concluded that this failure couldn't have prevented the loss because the recipient had taken the money out of their account even before HSBC was notified of the transaction by G.

G didn't agree. They were still very dissatisfied with the way HSBC handled their claim. They explained that despite being the bank's customers for many years, they were treated poorly.

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.

The available information shows that when the disputed standing order was set up, the account was logged into successfully. There were no incorrect login attempts or account security information changes.

G says that the person who was authorised to make the payments had logged in on that day and remembers the computer being slow that day. So, they suspect that someone may have hacked into the computer or the bank account on that day.

The information provided by the bank shows that there was a login from the authorised person's user ID on that day at the relevant time, but there is no evidence of any hacking or additional log in. It also appears that no one pretending to be the bank or some other service provider called G that day, leading to G downloading any software or tricked into providing security details over phone.

Further, as noted by the investigator, in addition to the security details that were needed to log into the account, the fraudster also needed a physical Secure Key along with the security details associated with it. G says no one could have taken the physical Secure Key as that was usually kept in the handbag of the person who is authorised to make the payments. So, in the circumstances I find it difficult to see that how a fraudster could have gotten hold of not just all the security details but also the physical unit that was needed to carry out the transactions. I also think it would be unusual for a fraudster to set up a standing order to take three payments spread over three weeks. I consider that a fraudster is more likely to take out as much money as quickly as possible.

I appreciate what G says and I am very sorry for their loss. However, given all of the above I have not been persuaded to conclude that the payment was unauthorised. I also don't think that payment was particularly unusual or suspicious in appearance to HSBC considering G's normal account and payments activity for it to have intervened when the payment was made. So, I don't think it would be fair to ask HSBC to refund the payment.

That said, I agree with the investigator that HSBC hadn't handled G's fraud claim satisfactorily. HSBC took a considerable amount of time to carry out its investigation and provide a response to G, which it has acknowledged. This clearly resulted in avoidable inconvenience to G as they had to chase the bank several times for an answer.

HSBC told us that it did not contact the recipient bank at all despite assuring G that it would. I find it inexplicable that HSBC made no attempt to contact the recipient bank despite being told by G that this was a fraudulent unauthorised payment. However, it appears that by the time HSBC was advised of the potential fraud, the recipient had already withdrawn the amount from their account. So even if HSBC had immediately contacted the recipient bank upon being advised of the potential fraud, it is doubtful whether the recipient bank would have been able to recover any money at all.

But as I said, HSBC did cause avoidance inconvenience to G and I can see that they are quite frustrated with the way HSBC handled their fraud claim. The investigator has recommended that HSBC pays £300 to G towards this. I fully understand G's frustration, however I think this is a fair compensation in relation to the delay in investigating the complaint and the resultant inconvenience to G.

My final decision

My decision is that I uphold the complaint. In full and final settlement of it, HSBC UK Bank Plc should pay £300 to G.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 26 May 2022.

Raj Varadarajan
Ombudsman