

The complaint

Mr K complains that HSBC UK Bank Plc failed to prevent an unidentified third party from impersonating him and allowed them to open an account in his name.

What happened

Mr K noticed a second current account had been added to his banking profile and contacted HSBC about it. HSBC looked into the account and confirmed to Mr K that he'd become the victim of an impersonation. Someone had used personal details to apply for a second account and had provided a new telephone number and email address which was automatically changed on Mr K's genuine account profile.

HSBC closed the second account, removed any credit searches related to the application and recorded the impersonation with CIFAS - who are a fraud prevention agency. Mr K wanted to understand what had happened and asked HSBC for more details about the application.

HSBC confirmed that they'd carried out two credit searches which were some weeks apart and this was because the account opening process was backlogged. The second search was undertaken when they processed the application and opened the second account. Mr K was unhappy with how his details had been changed without reference to him and didn't think that HSBC had done enough to protect him.

Mr K didn't suffer any direct financial loss, but he explained that he was worried about the protection given to him by HSBC when they allowed the second account to be opened, which was a duplicate of the one he already had. Mr K had previously been a victim of impersonation and CIFAS held records of this at the time the application for the account was processed.

HSBC explained that they checked CIFAS and couldn't see an "protective registration" in Mr K's name, but later confirmed that the records of the impersonation marker held with CIFAS were present when they checked it for the application. The "protective registration" is a system that identifies persons who are or have been at risk from impersonation or identity theft.

HSBC explained that Mr K's contact details (phone number and email address) had automatically been updated because it was a new application which had satisfied their electronic checks. When Mr K asked them about the application process, some of the records were described as "not very clear", but HSBC thought that the gap between the two credit searches were due to issues with covid and staff shortages.

Mr K remained unhappy with how HSBC had handled the issue and made a complaint. HSBC re-looked into it and didn't think that they'd made any errors, but accepted that Mr K had been a victim of impersonation and removed the account, credit checks and added a CIFAS record to notify other businesses that Mr K had been a victim.

Mr K was unhappy with HSBC's response and brought his complaint to the Financial Ombudsman for an independent review. Mr K wanted HSBC to improve their systems and pay him £500 for the stress and worry they caused.

Both parties were asked for information about the complaint and Mr K explained that he already had a record with CIFAS from a previous impersonation attempt. He was aware that post had been taken from the flats where he lived, which could explain why he never received any post about the new account.

HSBC provided their records about the account and the complaint. Our investigator thought that HSBC had acted reasonably when they'd opened the account and didn't uphold Mr K's complaint.

Mr K disagreed and asked for a further review of his complaint.

I issued a provisional decision where I said:

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

In cases such as this one I think it's important to understand that the difficulties experienced by Mr K was initially caused by an unknown third party who had acquired enough details to apply for an account with HSBC.

I appreciate Mr K is interested in the processes and inner workings of how HSBC handled such applications, and I'll address those that I feel are relevant to the treatment Mr K received. I won't be addressing the wider issues of how HSBC organise their internal processes as that's not my role.

HSBC have explained that when they received the new application, they were satisfied that it was genuine and opened the account. This allowed an automatic update of Mr K's contact details. I understand HSBC made their checks with various systems to satisfy themselves the application was genuine, but a few aspects of the process stand out for me.

For a current customer of HSBC to change their own contact details (email/phone number), they're required to use some form of secure system or pass some form of security, whether that's through a banking app, internet access or providing ID in a branch. It appears here that they were changed due to a new application being received and apparently this didn't require anything further. Whilst it's for HSBC to organise the way they carry out such changes, it appears that Mr K's details were automatically changed. Although there was no loss to him, I understand why Mr K felt worried about the safety of his funds if these details were so easily changed.

At the time of the application, HSBC have confirmed that Mr K had a CIFAS marker loaded which identifies him as having been a victim of previous impersonation fraud. HSBC have explained that there was no active "protective registration" in his name. So, HSBC appear to be saying that because there was no active protective marker, they had no cause to make any further checks before they opened the account. But, CIFAS held information linked to a fairly recent impersonation which I would have thought was evidence enough to raise the bar when they opened the account. By that I mean to view the application with more caution. Mr K made the point that he already had the same type of account with HSBC, which was a "Premier" account. These types of accounts require certain conditions to be met, including the payment of salary to satisfy the opening criteria. I'm not sure how the second account could satisfy the opening criteria if Mr K was already paying salary into another Premier account. It would seem that only one account could satisfy that criteria, which was Mr K's

original account.

I understand Mr K was unhappy with the two credit checks carried out by HSBC. When they received the application it's understandable that they would carry out checks, including with the credit reference agencies. HSBC explained that there was a delay processing the application which resulted in the second check because of staff shortages. I don't think HSBC would have carried out the second check unless they felt there was a need to and because they removed the searches from Mr K's credit records, I won't be asking them to do anything further about this.

Once HSBC realised Mr K was a victim of impersonation I think they took the appropriate actions, which were to close the account, remove the credit checks and add a marker with CIFAS to aid in the prevention of future problems for Mr K. I'm of the opinion that HSBC could have taken into account the previous impersonation issue Mr K had suffered and done more to check with him before opening the account and changing his details. I recognise that HSBC weren't responsible for the false application, but I think they could have done more to prevent the opening which caused Mr K worry and stress about the security of account and funds.

Mr K wanted compensation of £500 for the inconvenience and stress caused by this issue. Whilst I think HSBC could have dealt with his issue better, they weren't responsible for the false application, so I don't think it warrants such a payment.

So, I'm currently intending to uphold this complaint and instruct HSBC to pay Mr K £100 for the way they handled the application which caused him unnecessary stress and worry.

I invited Mr K and HSBC to give me any more evidence and information they wanted me to consider before issuing my final decision. HSBC responded that whilst they didn't agree with everything I'd said, they were prepared to settle the complaint as a gesture of goodwill without accepting liability. Mr K wanted me to consider further compensation for how HSBC handled his complaint. Mr K thought £200 was a more reasonable amount.

Mr K was critical of the anti-impersonation checks carried out by HSBC and didn't think they'd processed the application with enough care. He didn't think that HSBC's reasons for completing two credit checks was believable (Covid delays) and thought that his complaint took too long to be dealt with and wasn't taken seriously. Mr K thought the increased compensation would make a point to HSBC and help to improve their services.

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.

Having done so, I've not been provided with anything that would change my provisional decision. I appreciate Mr K feels that a higher amount of compensation is warranted here, but I don't think that's the case.

I've already reviewed the actions of HSBC and identified where I think they let Mr K down. I think it's important to recognise – as Mr K does – that the application was an attempt by a fraudster to obtain money from HSBC using his own details. Whilst I think HSBC could have given a better service to Mr K when they processed the new application, it was done whilst trying to provide a genuine service to someone who they thought was the real Mr K.

I appreciate Mr K thinks that an increased payment to him would help to make a point to

HSBC and improve their services, but that's not the basis for awarding such payments. My recommendation that HSBC pay Mr K £100 reflects the situation and the difficulties he faced when complaining and the impact it had on him.

Putting things right

I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my provisional decision.

My final decision

My final decision is that I uphold this complaint and require HSBC UK Bank Plc to:

- Pay Mr K £100 for the stress and inconvenience caused to him.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 28 June 2022.

David Perry
Ombudsman