

The complaint and what happened

Mr G complains HSBC UK Bank Plc won't reimburse over £20,000 he lost when he fell victim to an investment scam.

Our investigator upheld the complaint. She was satisfied HSBC ought to have intervened when Mr G made his fourth payment towards the scam, as it was unusual and uncharacteristic for the account. She asked it to reimburse losses from that point. However, she also found Mr G was partly responsible for his losses as he didn't carry out sufficient due diligence before deciding to invest and so reduced compensation by 20%.

Mr G agreed the outcome. HSBC asked for several extensions and although granted, it hasn't responded to the outcome reached despite being notified the matter was being referred to an ombudsman. I'm satisfied HSBC has had plenty of opportunity to provide any further arguments or submissions and its now appropriate to move this complaint to the final stage.

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.

- Mr G authorised the transactions. Whilst he didn't intend for his money to go to scammers, he is initially presumed liable for the loss. There also doesn't appear to be any dispute he has been scammed given there were warnings about the merchants from the regulator.
- HSBC is aware of our approach of expecting it to have been monitoring accounts to counter various risks, have systems in place to identify unusual transactions or other indicators that its customers were at risk of fraud; and in some situations, make additional checks before processing payments or declined them altogether to protect customers from possible financial harm from fraud or scams.
- I have looked at the operation of Mr G's account in the months leading up to the transactions in dispute, I agree with the investigator that I wouldn't have expected some of the earlier transactions in dispute to trigger HSBC's fraud alert systems, even if they were to a new payee. However, I also agree that a payment for £5,000 was unusual for the account even if payments were spaced apart a little, as they were here. And it was over double the previous highest payment to the trader, made just a couple of weeks before. This payment was also made to a new payee that had only been set up two weeks prior. Taking all of this into account, I'm satisfied HSBC's systems ought to have triggered an alert and payments paused pending further intervention – such as making enquiries or giving a scam warning. Further some of the disputed payments were made more than a month after the regulator had published a warning about the traders Mr G paid, and so I think HSBC ought to have automatically paused those payments in any event.
- Had HSBC carried out its due diligence and duties and asked Mr G about the payments, I have no reason to doubt he would have explained what he was doing. It could have provided information on the steps a customer can take to ensure, so far as is reasonably possible, they are dealing with a legitimate merchant. And it could

have drawn on its knowledge about the high-risk associated with trading, the potential for fraud and provided a scam warning. Had it done so, I'm satisfied Mr G would have looked into the opportunity further, and likely would have come across the published warnings about the merchant for himself. I'm satisfied a warning from HSBC would likely have exposed the scam and caused Mr G to stop investing, thereby preventing the further loss of £17,000.

- I agree, Mr G is also partly responsible for his loss. It doesn't appear he carried out much due diligence before deciding to part with his money, even when being persuaded to invest more and more. And given the amount invested, it's reasonable for independent research to be carried out to be satisfied the investment opportunity is genuine. There was information in the public domain that was easy to come by about the merchants he was dealing with, which would have put him on notice that he was likely being scammed. I therefore agree a reduction in compensation of 20% is reasonable.

My final decision

My final decision is that I uphold this complaint. I require HSBC UK Bank Plc to reimburse Mr G £13,600 representing 80% of his losses from the fourth disputed payment. I also require it to add 8% simple interest per year, from the date of the payments to the date of settlement, less any lawfully deductible tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 20 October 2022.

Claire Hopkins
Ombudsman