

## **The complaint**

Mr G complains that HSBC UK Bank Plc (“HSBC”) failed to prevent the use of his identity for fraudulent applications which adversely affected his credit report.

## **What happened**

Mr G reported that he first noted a problem with his financial situation when he saw two credit alerts related to the opening of accounts in his name. He says he called HSBC about them on several occasions. He told HSBC that he hadn’t made these applications which were for a new bank account and a credit card. Both of these accounts had been opened and the credit facility used.

Mr G also had a fraudulent application made with another bank (B) which does not form part of this complaint. This application resulted in B notifying CIFAS – a fraud prevention agency about the false applications in Mr G’s name.

Mr G had a genuine account he held with HSBC. When he reported the fraudulent applications, the address details on his banking app were updated from his old address.

During the call, there were some difficulties finding the fraudulent account, but eventually the HSBC call handler identified the two fraudulent ones and advised Mr G that this was being taken care of. He was told that HSBC had already noted some suspicious activity around these applications and were already dealing with it.

HSBC had already started an investigation into the issue and confirmed to Mr G that he was the victim of identity theft. Over the next few weeks his credit file was updated, and the accounts written off. HSBC also lodged a protective marker for Mr G with CIFAS – a fraud prevention agency.

Mr G was unhappy with the way that HSBC handled the opening of these fraudulent accounts and how they then dealt with the fallout which affected his credit rating and ability to apply for other financial products. After he complained to HSBC, they looked at their handling of his issue and wrote to Mr G. HSBC didn’t think they’d done anything wrong and had corrected any issue resulting from the fraudulent applications.

Mr G remained unhappy and brought his complaint to the Financial Ombudsman Service for an independent review where it was looked into by one of our investigators. Both parties were asked for information about the situation and Mr G was able to say that:

- An application for an account was granted with another bank, as well as accounts with HSBC. Mr G says he notified both the other bank and HSBC about the issue after receiving notifications about them.
- Mr G asserts there was already a flag with CIFAS concerning the application made to the other bank, so HSBC shouldn’t have proceeded with the application(s).
- The HSBC accounts opened had generated a debt that HSBC wrote to him about.

- Mr G says this affected his credit score and impacted his ability to apply for a mortgage and other financial products.
- He incurred additional rental costs as a result of the false accounts.
- Mr G believes HSBC were at fault for allowing the application to be accepted when he already had an account with them.
- Mr G says he was told that the address used on the application wasn't his but was the headquarters address of HSBC themselves. Also, that the phone and email address were different to the ones he had registered with HSBC.
- Mr G has described how the issue has caused him immense stress.
- He also complained about HSBC's lack of feedback and communication about the issue.
- He wants his credit score restored, the investigation of a possible data leak and for shortcomings in the process to be addressed.
- Mr G would also like compensation for the financial losses he says he incurred, including the emotional distress and inconvenience caused by the application.

HSBC provided details of the applications and their handling of the situation. In summary they said:

- An online application was received for a new bank account that was set up as a new customer. A later application for a credit card was also approved, but a request for a loan was not.
- HSBC described the applications as "sophisticated", including supportive evidence (payslips and bank statements) considered during the application process.
- HSBC sent various letters to Mr G's home address, including a notice that he was required to pay towards the credit card debt that had been accrued (by the fraudster).
- HSBC identified issues with the loan application, which triggered an internal investigation.
- HSBC confirmed that Mr G was the victim of identity theft.
- Once it became apparent that Mr G was a victim, all records of the applications/credit card debt were removed from his credit file.
- A protective marker was applied for with CIFAS.

After considering the evidence, the investigator didn't think that HSBC should have to do anything more than they had done and commented that:

- HSBC accepted Mr G was the victim of identity fraud and loaded a marker with CIFAS to protect him from further fraudulent attempts, deleted the credit searches, closed the accounts and removed any outstanding balances.
- The account was opened on 7 March 2023, followed by the credit card on 17 March

2023.

- The application was sophisticated and backed by additional materials supplied by the applicant after HSBC asked for additional information.
- The email address was different to Mr G's, but this wouldn't be considered unusual.
- It's likely the CIFAS marker wouldn't have been available when HSBC carried out their usual checks.
- The first notice to HSBC is recorded as a phone call on 20 April 2023.
- Mr G said he had an alert about the account opening in March, so could have notified HSBC earlier.
- HSBC sent Mr G letters concerning the outstanding debt which would have caused some distress to Mr G, but at the time HSBC were still carrying out their investigation into the circumstances.
- Mr G would like his credit score restored. It was highlighted by the investigator that the score is made up of different aspects, not all of which will be the responsibility of HSBC.
- Data leaks are the responsibility of the Information Commissioner's office (ICO).
- Procedural shortcomings are the responsibility of the Financial Conduct Authority.
- Mr G's complaint wasn't upheld.

Mr G disagreed with the investigator's outcome, making further comments:

- He contacted HSBC promptly once he received the fraud alerts.
- The false accounts have adversely affected his credit score and ability to obtain other financial products.
- The protective marker from CIFAS has been a hinderance, causing rejection of financial applications.
- Fair compensation is due from HSBC for their handling of the situation.
- There were procedural shortcomings that resulted in the ongoing impact on Mr G.
- Mr G believes HSBC should investigate a potential data leak.
- Mr G is seeking a fair and just resolution to the matter.
- Mr G was told that HSBC's HQ address was used as his home address on the false applications.
- Mr G was told to wait for a letter from HSBC in earlier contact with them (prior to the April call).
- Mr G didn't receive any account opening letters sent by HSBC, only ones that later referred to outstanding debts resulting from the fraudulent accounts.

- Mr G wanted a further review by an Ombudsman.

### **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.

I'd like to thank both parties for their patience whilst I've been considering the merits of this complaint. I'd also like to recognise the trouble experienced by Mr G with the theft of his identity and the false applications made in his name. It's no doubt stressful having to deal with the situation – caused by an unscrupulous fraudster stealing money from HSBC. Mr G was left trying to deal with the fall out of these applications.

I think it's worth reiterating that HSBC were also trying to sort out the situation caused by the false applications after funds were taken from them by the fraudster. Both parties in this complaint were working towards the same result. Mr G's complaint centres around his belief that HSBC's lack of attention at the application stage enabled these accounts to be set up in his name, thereby causing him ongoing difficulties with his financial profile.

There was another application made with a different bank (B) that was stopped by them and a report made to CIFAS about the situation. There is a crossover between the date the report was available to other banks and the false applications made with HSBC. So here, HSBC made checks with CIFAS, but it appears that the report wasn't yet available to cross reference.

I asked HSBC specifically why they didn't match the (new) application to Mr G's current account and they explained that it used a slightly different variation of Mr G's name, which was set up by HSBC's system as a new application. It appears that the details used in the application were sufficiently different for it not to be linked to Mr G's current profile. There's also an indication that another address was present within the system – evidenced during a conversation held between Mr G and HSBC. During the application process, HSBC asked for further evidence in the form of payslips and bank statements, which were later sent in by the applicant. The new account was then processed in line with the terms and conditions. There's no evidence of an internal leak associated with Mr G's details.

HSBC issued account opening letters to Mr G's address, but he didn't receive them. This suggests that somehow, these letters went missing. The first time Mr G received anything was about the debt incurred on the account. I thought it interesting that the early letters weren't successfully delivered to Mr G, but the later ones relating to the debt were delivered. Of course, by this time, the fraudster had already taken and used those funds, so probably wasn't bothered if Mr G became aware of the situation.

Mr G has said he was told by a member of HSBC that their HQ address had been used on some of the application details. Having reviewed the information supplied by HSBC, which includes details of what was entered on the application by the fraudster, I haven't seen any evidence of this.

HSBC continued to process parts of the application and noted some issues with it after further lending was applied for. Based on this, they were about to notify Mr G when he himself called them about the problem. It seems that both parties became aware of the problem around the same time. Mr G has consistently said that he told HSBC about the problem when he first received notification about the applications through a monitoring service he used. This is earlier than HSBC's records show. I don't doubt Mr G's understanding of what happened here, but the evidence I have seen shows when HSBC first realised there was a problem – which is later than Mr G's understanding. Once HSBC

understood the issue, they removed the outstanding debt from Mr G's name, updated the credit file and removed the credit searches from his history. They also lodged a protective marker with CIFAS to protect Mr G from further identity fraud attacks. I don't think that HSBC could reasonably have done any more or that they took an unnecessarily long time to sort the issue once they became aware of the problem.

Mr G has said that the CIFAS registration has caused him ongoing issues with his credit file. Generally, a protective marker would provide additional detail to the merchants who were checking it, but it would be unusual if the marker itself caused any difficulties with the applications. I can't know why these applications were declined (as they were decisions taken by other merchants), and it would be for those merchants themselves to explain that to Mr G. I think the registration by HSBC was a reasonable step for HSBC to take, in fact if they hadn't, they may well have been criticised for failing to put sufficient measures in place to protect Mr G from additional attacks.

Mr G has said that a drop in his credit score meant he was unable to proceed with a mortgage, meaning he then had to continue renting at an increased monthly rate. He believes that HSBC are responsible for this. Having examined the documents Mr G sent in, I can see a drop in the score, but the credit report shows no adverse references against Mr G's profile. It's difficult to ascertain that it was solely HSBC's fault for this. Mr G provided a copy of a mortgage in principle offer, but no further details about this. I understand he believes it was more expensive to loan funds as a result of the HSBC credit on his profile. But, as the evidence only shows a mortgage in principle, I can't reasonably link the two elements together ( the additional credit and Mr G's mortgage issues).

It's the case that once HSBC cleared all the searches and removed the loans from Mr G's name, his credit report would mirror what it was if these applications hadn't been present. So, even if I thought that HSBC should have spotted the false applications sooner, I don't think it would be fair or reasonable to expect HSBC to make payments towards Mr G concerning his added rent costs.

I don't dismiss Mr G's concerns here, and I recognise he was the victim of a third parties cruel use of his identity to perpetrate a fraud against HSBC. But, I also have to take into consideration that HSBC acted as soon as they were aware of the problem. I recognise the additional stress caused by the identity theft, but this wasn't caused by HSBC. It would, of course, have been preferable that HSBC spotted these false applications sooner, but the sophisticated nature of them and the apparent ability of the fraudster to intercept letters overcame their ability to prevent the fraud in this case.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 April 2024.

David Perry  
**Ombudsman**