

The complaint

Miss H complains that HSBC UK Bank Plc (“HSBC”), have failed to refund money that she lost as part of an investment scam.

What happened

Miss H was contacted on a social media site by someone who said that she could make money by investing in a company that I will call B. Miss H was persuaded to make a number of payments from her HSBC account via a number of different payment methods the payments were then sent to B.

The payments Miss H made from her HSBC account were as follows;

Transaction Number	Date	Amount	Type of payment
1	27 June 2021	£750	Faster Payment
2	30 June 2021	£300	Direct Debit
3	30 June 2021	£497.75	Direct Debit
4	01 July 2021	£602.99	Card Payment
5	01 July 2021	£602.99	Card Payment
6	2 July 2021	£602.99	Credit
7	2 July 2021	£602.99	Card Payment
8	5 July 2021	£652.99	Card Payment
9	15 July 2021	£502.99	Card Payment

Miss H then tried to withdraw the “profits” that she had made and when she was unable to do so, she realised some months later that she had been scammed

Miss H raised a complaint with HSBC as she believed that it should have stopped her from making the payments in question.

One of our investigators looked into this matter and they decided that the direct debit payments were not indicative of a scam and should not have been stopped by HSBC. He also concluded that the card payments were not sufficiently large enough or out of character to have prompted an intervention from HSBC either. So, he concluded that the payments shouldn't be refunded. He did though think that the £750 transfer should be refunded as it met the criteria for a refund under the Contingent Reimbursement Model ("CRM"). HSBC agreed to this.

Miss H did not agree with this and therefore her complaint has been passed to me to issue a final decision.

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 agree with the conclusions reached by the investigator for the following reasons.

It isn't in dispute that Miss H authorised the disputed payments she made. The payments were requested by her, using her legitimate security credentials provided by HSBC. And the starting position is that banks ought to follow the instructions given by their customers, in order for legitimate payments to be made as instructed.

However, I've considered whether HSBC should have done more to prevent Miss H from falling victim to the scam. There are some situations in which a company should reasonably have had a closer look at the circumstances surrounding a particular transaction.

In this instance the transactions were not in isolation large enough, and the pattern of spending was not enough, to be considered unusual or sufficiently out of character to have prompted an intervention from HSBC.

So, having considered the payments Miss H made, I'm not persuaded there was anything that ought reasonably to have triggered HSBC's fraud monitoring systems or that would have indicated she was in the process of being scammed. I therefore do not consider there to have been any obligation on HSBC to have intervened. Given this I do not think that it could have uncovered and prevented the scam.

I should also add for the sake of completeness that even if HSBC had intervened and questioned the payments, and I don't think it needed to, I do not think that the scam would have been uncovered. I say this because a different bank did stop payments that Miss H was making to B and Miss H gave evasive answers designed to mislead that bank as to why the payments were being made. I think that the same thing would have happened had HSBC intervened as well. So, I don't think that HSBC could have stopped the scam and therefore it does not have to refund the payments that Miss H made.

I've also thought about whether HSBC did enough to attempt to recover the money Miss H lost. In this instance in relation to the Card payments a chargeback would not have been successful as essentially the transactions were to send money from HSBC to two different payments service providers - and the money was safely received into her payment service providers' account, so she got what she paid for. It was only when she sent the money on from that account to the scammer, did the loss occur.

In relation to the Direct Debits there is no way for HSBC to recover the funds unless the Direct Debits were set up incorrectly or there was an error in taking the payments. This is not the case in this instance so I don't think that HSBC could have recovered the payments.

Finally, the transfer of £750 is covered under the Contingent Reimbursement Model ("CRM") as it was a transfer to a UK bank account held by a different individual. There are exceptions to refunds under the CRM but in this specific case Miss H's situation classified her as vulnerable which means the exceptions don't apply. I do not need go into detail as to why because all parties are aware of the details. I think therefore that HSBC should refund this transaction, which it has already agreed to do.

Putting things right

I partially uphold this complaint and HSBC UK Bank Plc should do the following;

- Refund the £750 transaction
- Add interest at 8% simple from when the claim about this transaction was declined until the date of settlement

My final decision

My final decision is that I partially uphold this complaint in part and direct HSBC UK Bank Plc to pay the redress detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 17 July 2024.

Charlie Newton
Ombudsman