

## The complaint

Ms S is unhappy that HSBC UK Bank Plc decided not to refund him after she'd been the victim of a scam.

## What happened

Ms S decided to invest in a company I'll refer to as A. A offered a rent-to-rent property investment. Ms S's funds would be used to refurbish properties and A would find a tenant to rent the property at a higher price. A told consumers they would rent the properties out to council's or housing associations. A claimed to have agreements in place with a well-known charity (I'll refer to as H) and a housing association (I'll refer to as P).

This service is broadly aware of the scam Ms S fell victim to. She was far from the only person to be drawn into the scam and, sadly, this service has seen numerous complaints from different victims. We know investors were promised monthly returns, based on the length of each contract. Funds would be used for the sourcing and refurbishment of properties. The scheme continued for some time, with some 'investors' actually receiving some money back, as might be expected of a Ponzi or pyramid scheme.

In or around May 2023, H issued a public statement on its website, saying that it had been made aware of several property investment schemes where H had been named as either the guarantor or would be placing tenants into the rented properties. It said H had no involvement with these schemes. Any claims that H was involved were bogus and fraudulent. It specifically mentioned A, where it claimed H as the "tenant" in its contracts, dating as far back as 2019. H reiterated it had not entered into any agreements or had any dealings with A.

Ms S, as well as many other consumers, has provided correspondence from the housing association - P. In these emails P said it had never worked with A.

Ms S made two payments, totalling £10,000. £13,050 and received returns of £1,050. Leaving her total loss at £8,950.

In October 2023 consumers were contacted by the director of A, to say the company would be dissolved and no further payments made to customers.

Ms S raised a scam claim with HSBC via J. It said it wouldn't be refunding Ms S as it deemed the matter a civil dispute.

Unhappy with that outcome, Ms S brought her complaint to our service. One of our investigators looked into things. He was satisfied that Ms S's claim was an Authorised Push Payment scam and therefore covered by the Contingent Reimbursement Model (CRM) code. In summary the key points he set out were:

- A, provided rental agreements with a well-known charity - H. That charity has since released a public statement on its website that it has never had any dealings with A.

- The housing association – P, that A also claimed to be working with, confirmed it also had never had dealings with A.
- Because of the two false representations above, which featured in most consumers contacts with A, he was satisfied that A dishonestly deceived consumers about the purpose of the payments they were making.
- Ms S's contract included the housing association – P - as the tenant in one of the contracts, which was found to be untrue. He was persuaded that A could not fulfil the contract with Ms S.

He went on to say that Ms S should receive full reimbursement under the CRM code as he had a reasonable basis of belief when making the payments. He said:

- A provided professional and convincing sales literature and had a professional website.
- The company had been registered on Companies House since 2019.
- At the time A claimed to have agreements in place with H and P, which appeared genuine at the time she decided to initially invest.
- The rental contracts A provided appeared genuine and didn't look too good to be true.

He recommended that HSBC reimburse Ms S in full for her losses and pay 8% simple interest from the date claim was declined to the date of settlement. Any returns Ms S received were to be deducted from Ms S's losses.

HSBC didn't agree, it said our opinion was premature because it had reached out to the Police and its investigations were on-going. It thought a decision under the CRM code ought to be delayed under R3(1)(c) of the code.

As the complaint couldn't be resolved it has been passed to me.

I have been in touch with HSBC on a number of these complaints to provide some wider context about what we've seen in handling a number of complaints involving A. I explained why I was satisfied Ms S (and other consumers had been the victims of a scam) and why she and other investors in general had a reasonable basis of belief when deciding to invest. In summary I concluded Ms S should receive a refund of her losses (which included a deduction for the returns she's received from A), plus 8% simple interest from the date it declined the claim to the date of settlement. I made a slight amendment to the refund amount as a couple of returns were missed when the original calculation was made at view stage. But Ms S accepts that refund would be based on her outstanding losses which this amount is based on.

R3(1)(C) of the CRM code says *if a case is subject to investigation by a statutory body and the outcome might reasonably inform the Firm's decision, the Firm may wait for the outcome of the investigation before making a decision.*

However, there is no need to delay a decision if all parties agree this is a scam. HSBC hasn't provided an explanation why awaiting the police investigation would reasonably inform an outcome under the CRM code. A Police investigation and decision to charge will be based on a criminal burden of proof. That may well take many months or years to decide, or may not happen at all. In this case I'm deciding if HSBC, under the voluntary CRM code, is liable to refund the consumer where it's more likely than not, that the consumer was the victim of an APP scam. I appreciate a Police investigation may reveal more detail but as it's not in question that this was a scam, then that isn't necessary in this particular instance.

I also considered whether Ms S had a reasonable basis of belief when deciding to invest and they didn't change my view. There wasn't anything concerning about A in the public domain, at the time Ms S (and many other consumers invested with A), or anything that would, or ought to have put consumers' on alert, that this was a scam, or red flags that this might not be a genuine investment. I'd also considered the specifics of Ms S's actions in light of his personal circumstances and knowledge, and I wouldn't have expected Ms S to take the steps set out by HSBC. Overall I was satisfied that in the circumstances Ms S had a reasonable basis of belief when deciding to invest with A.

HSBC asked for a considerable extension to be able to review my informal findings and provide a response. Despite granting that extension HSBC failed to respond or in my recommendations. I have therefore issued this final decision to bring the matter to a close.

### **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 come to the same conclusions as the investigator. I'll set out my findings in full below.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards, codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

HSBC a signatory of the Lending Standard Board's Contingent Reimbursement Model Code (the LSB's CRM Code). The CRM Code requires firms to reimburse victims of APP Scams in all but a limited set of circumstances.

The investigator set out his explanation for making the finding this was an APP scam (and therefore a claim caught by the CRM code) but for clarity I'll repeat the salient points here.

- I've seen no evidence that A could have fulfilled the contracts it entered into with consumers. It did not have the agreements in place with the parties it claimed - either H or P. And in Ms S's case, her contract included P as one of the parties.
- The contracts and agreements A provided to consumers were therefore fictitious as they contained the details of parties who had not contracted with them.
- I've also explained I have seen other supporting evidence that A was not operating in line with the purpose that was agreed with its customers.
- There's no evidence that Ms S's funds were used for the intended purpose that both she and A had agreed they would be used for.

HSBC hasn't provided any evidence that A was operating legitimately.

As I'm satisfied this is an APP scam and caught by the CRM code, I've gone on to apply the provisions of the code below.

As I've mentioned, the CRM code which requires firms to reimburse consumers who have been the victims of APP scams, in all but a limited number of circumstances and it is for HSBC to establish that a customer failed to meet one of the listed exceptions set out in the CRM Code.

Under the CRM Code, a bank may choose not to reimburse a customer if it can establish that\*:

- The customer ignored what the CRM Code refers to as an “Effective Warning” by failing to take appropriate action in response to such an effective warning.
- The customer made payments without having a reasonable basis for believing that:
  - o the payee was the person the Customer was expecting to pay;
  - o the payment was for genuine goods or services;
  - o and/or the person or business with whom they transacted was legitimate

\*Further exceptions outlined in the CRM Code do not apply to this case.

*Did HSBC meet the standards expected of a firm under the CRM Code?*

The CRM code says that, where a firm identifies APP scam risks, it should provide “Effective Warnings” to their customers. It sets out that an Effective Warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. And it says that, as a minimum, an Effective Warning should be understandable, clear, impactful, timely and specific.

I’m satisfied given the value of the second payment HSBC ought to have identified that Ms S could be at risk of an APP scam and provided effective warnings in line with the Standards under the CRM code.

HSBC hasn’t provided any evidence that it presented any warnings to Ms S at the time she made these payments. Although it has provided a copy of an investment warning its not made it clear if this was presented to Ms S at the time the payments were made.

So, I’m satisfied that HSBC ought to have provided an effective warning for the second payment which it hasn’t established that it did. And so HSBC has failed to meet the firms’ standards under the CRM code.

*Did Ms S have a reasonable basis of belief when making the payments?*

I’ve also thought about the steps Ms S took to reassure himself about the legitimacy of the contact he’d received from A and whether it was reasonable for him to proceed with the payments. And I’m persuaded he did. I’ll explain why.

- Whilst Ms S initially found the investment opportunity on a social media platform she then went on to have, what she describes as professional and detailed conversations with representatives of A.
- A had a basic, but professional looking website, which I’ve had limited access to, given that it’s no longer accessible.
- A had an entry on Companies House showing incorporation from 2019, with two sets of micro-company accounts submitted at the time Ms S invested.
- Ms S also says she saw reviews on a trusted website, which at the time, showed all positive reviews – albeit they were limited in number.
- At the time Ms S entered into the contracts with A, there wasn’t anything in the public domain that would have put Ms S on notice that this wasn’t a legitimate investment.

- The returns promised didn't seem too good to be true. Ms S's contract contained a property that could be found on the land registry, the monthly rental payment seemed reasonable, given the property was being refurbished and used as home of multiple occupancy.
- Ms S's contract included a genuine housing association – P, incorporated since 2012. And Ms S had no way of knowing P's involvement was a lie.

On this basis, I'm satisfied, that in these circumstances, HSBC has not established that an exception to full reimbursement should be applied. Therefore, HSBC needs to refund Ms S for his losses.

### **Putting things right**

- I direct HSBC to pay Ms S £8,950 – which is based on a payment of £10,000 to A and deductions of £1,050 for the returns she received.
- HSBC needs to pay 8% simple interest from the date it declined Ms S's claim to the date of settlement.

### **My final decision**

I uphold Ms S's complaint against HSBC UK Bank Plc and I now direct it to settle the complaint as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 22 April 2025.

Sophia Smith  
**Ombudsman**