

The complaint

Miss L is a sole trader trading as P. Miss L has complained that HSBC UK Bank PLC have refused to refund transactions that weren't authorised.

What happened

Miss L contacted HSBC to dispute nine transactions totalling around £4,000. All of the transactions were to a merchant I'll refer to as 'G' for advertising services and were made in just under a month.

Miss L explained that she regularly used G's services to advertise P and spent around £300 a month. Miss L hired a third party, 'X', to manage the advertising campaign and gave X access to P's G account which included access to Miss L's saved payment method.

Miss L told us that the expectation was that X would stay within the monthly budget of £300 and only use the G account for services relating to and benefitting P. However, X made numerous purchases using Miss L's G account for advertising services for other businesses that Miss L didn't recognise. These businesses may have been connected to X directly.

Miss L told HSBC that X had no authority to make the nine disputed transactions. Miss L also queried why HSBC allowed the payments to go through when the frequency and value of the transactions were inconsistent with previous transactions to G.

HSBC looked into Miss L's complaint but didn't offer Miss L a refund. HSBC concluded that they couldn't refund Miss L as Miss L had given a member of staff employed by P, access to carry out the fraud. They did, however, credit Miss L £100 compensation for administrative delays.

Unhappy with HSBC's response, Miss L referred the complaint to our Service.

One of our Investigators considered the complaint but didn't recommend it was upheld. The Investigator's view was that Miss L consented to the transactions because they gave X access to the G account and the card details which were stored within it. In addition, the Investigator didn't agree that the transactions were suspicious and so didn't recommend HSBC should take any action.

Miss L didn't accept the Investigator's view and provided a substantial submission. I won't cover everything Miss L has submitted but I've summarised what I think are the key points below:

- Miss L accepted that they gave X authority to manage the G account but this authority didn't extend to X using funds on advertising services for unrelated businesses or in any other way that didn't benefit P.
- Miss L thought their case was an example of Account Takeover Fraud (ATO).
- Miss L queried which fraud detection and protection measures were employed by HSBC.

Miss L also outlined how the disputed transactions differed significantly enough to warrant HSBC stepping in. She said:

- Previous singular payments to G didn't exceed £300 – but X made payments of £500.
- The frequency of transactions increased significantly with some transactions being made within two days.
- Despite G being an established payee, the frequency and value of transactions were such that HSBC ought to have alerted Miss L and, had they done, she would have been able to prevent further fraudulent activity.

Miss L also referenced some issues they'd had previously with HSBC which fall outside the scope of this complaint, so I've not gone into any detail of those here.

Whilst Miss L's complaint has been with us, there has also been police involvement. As I understand it, X has been charged with criminal offences relating to the subject of Miss L's complaint and legal action is ongoing.

Miss L's complaint has now been passed to me for a 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.

I've considered the Payment Services Regulations 2017 (PSRs 2017) as they're relevant to this case. Under the PSRs 2017, the cardholder, Miss L, is liable for payments initiated by a third-party, X, if the third party is acting on behalf of the cardholder. Miss L hired X to manage their advertising campaign using their G account and payment card so it's reasonable to say X was acting on behalf of Miss L.

The rules state that Miss L is liable for transactions X initiated which fall within the scope of the actual authority – meaning, if I accept what Miss L has explained about the budget X was given, Miss L is liable for any payments made within the £300 budget for the benefit of P. The rules go on to state that Miss L can also be held liable for transactions which appear to have been made with the cardholder's authority, known as apparent authority. Apparent authority refers to situations in which the cardholder has allowed a third party to appear as though they have the cardholder's authority – such as Miss L allowing X access to her G account and authorising X to utilise Miss L's saved payment card.

It's not in dispute that Miss L gave access to X and authorised X to use the saved card details. I've thought about what that means in this case, and whether the disputed transactions were authorised or not. I'm afraid by giving X access to her card details until Miss L withdrew X's authority, any transactions carried out via G or using P's card details, were regarded as authorised. I appreciate Miss L's argument that the authority was limited to a specific purpose but the PSRs don't differentiate in the case of apparent authority. Under the rules, the fact that Miss L shared access and authorised X in some capacity, means Miss L has authorised all of the transactions and can therefore be held liable for them.

In addition to the disputed transactions, Miss L also questioned why the transactions weren't blocked. I appreciate what Miss L has said but I don't agree that the value, volume or frequency of transactions was such that I'd have expected HSBC to identify them as suspicious. Miss L made regular payments to G and all of the transactions were authenticated in the usual way using her saved payment card so I can understand why they succeeded without additional checks.

I understand Miss L feels strongly that she was the victim of ATO but I don't agree this was the case. As above, Miss L gave X access and whilst there was dishonesty involved that's not the same as an unknown third-party taking control of an account without any involvement from the cardholder.

I want to stress that whilst my decision is unlikely to be what Miss L was hoping for, my outcome is in no way intended to discredit what has happened to Miss L. Miss L trusted X to be an honest professional and X's behaviour seems entirely inconsistent with that which has caused distress as well as a financial loss.

I understand X has been charged with a criminal offence in relation to this situation but it's important to note that legal action against X doesn't necessarily determine the outcome of a complaint about HSBC. I'm not questioning whether Miss L was a victim of fraud, however I can only direct HSBC to refund Miss L if I'm satisfied they acted unfairly according to the relevant legislation and I'm afraid for the reasons I've outlined above I can't reasonably conclude this was the case.

My final decision

My final decision is that I don't uphold P's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 21 November 2025.

Freyja Dudley
Ombudsman