

The complaint

Mr and Mrs E complain that HSBC UK Bank Plc won't refund the money they lost after falling victim to an authorised push payment ("APP") investment scam whereby they sent money to an account held at HSBC.

Mr and Mrs E are professionally represented in bringing their complaint. For ease of reading, I'll refer to Mr and Mrs E directly throughout this decision.

What happened

The details of this case have been clearly set out by our Investigator. As such, the facts are well-known to both parties, so I don't need to repeat them at length here.

In summary, Mr and Mrs E fell victim to a cryptocurrency investment scam. As part of the scam, in October 2021, they made a payment of £20,000 from a bank account in their name, to an account held at HSBC.

After the scam was revealed, Mr and Mrs E complained to their bank and also raised concerns about where the funds were sent to (the receiving bank account. This was done in May 2024.

HSBC is signed up to the Lending Standards Board's voluntary Contingent Reimbursement Model (the CRM Code). The CRM Code was implemented to reduce the occurrence of APP scams. It sets out what is expected of the 'Sending Firm' when payments are made which includes a consideration of whether a customer met their requisite level of care when making the payment. And it also sets out the obligations for the 'Receiving Firm' to prevent, detect and respond to the receipt of funds from APP scams in order to prevent accounts from being opened, or used, to launder the proceeds of APP scams.

Where there is a failing by either the Sending Firm or Receiving Firm, they may be required to reimburse the customer. And the customer may also be required to share some responsibility for the loss if it is determined that they also failed to meet their requisite level of care under the CRM Code.

Unfortunately, by the time HSBC was notified of this payment dispute by Mr and Mrs E, all the funds had already been moved on or withdrawn from the recipient account.

Our service looked at Mr and Mrs E's complaint about the Sending Firm's actions under a separate reference, and recommended that firm reimburse Mr and Mrs E 50% of their losses – with Mr and Mrs E also sharing responsibility for the loss as they hadn't met their requisite level of care under the CRM Code when they made the payment. Mr and Mrs E therefore remain £10,000 out of pocket from the scam.

Mr and Mrs E say HSBC, as the Receiving Firm, should also share some responsibility for their losses. Mr and Mrs E want HSBC to refund their outstanding losses as they consider the receiving bank account was opened and used fraudulently.

HSBC didn't agree that it was liable for any losses Mr and Mrs E incurred. It said it followed legal obligations to process payments in accordance with the instruction received and that there had been no bank error. It also advised that once it was notified of fraud it took the appropriate actions.

Mr and Mrs E referred the complaint to this service. One of our Investigators looked into things and didn't recommend that HSBC needed to do anything further. Overall, he was satisfied HSBC had met the standards required of it under the CRM Code and wasn't responsible for their losses as it couldn't reasonably have done more to prevent them. He was also satisfied it had responded appropriately to the notification of fraud.

Mr and Mrs E disagreed and asked for an ombudsman to review the complaint.

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.

First, to clarify, this decision focuses solely on the actions of HSBC as the Receiving Firm of the account where Mr and Mrs E made payments to.

I would also like to add at this point that I'm aware that I've summarised this complaint and the responses briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here – which is to determine whether HSBC should have done more to prevent Mr and Mrs E's loss. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as an alternative to the courts.

I'm sorry to disappoint Mr and Mrs E but I'm not upholding their complaint about HSBC. I know they've been the victim of a cruel scam and I don't doubt that these events have had a significant impact on them. But I don't believe HSBC has acted unfairly or unreasonably in its answering of the complaint. I'm satisfied HSBC has met its requirements under the CRM Code and therefore isn't liable for their losses. I'll explain why.

Among other things, regulated firms receiving payments like HSBC, are required to conduct their 'business with due skill, care and diligence' (FCA Principle for Businesses 2) and to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements.

Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship).

And, more generally given the increase in sophisticated fraud and scams in recent years, as a matter of good industry practice at the time, I think firms should reasonably have had measures in place to detect suspicious transactions or activities that might indicate fraud or financial abuse (something also recognised by the Banking Standards Institute's October 2017 'Protecting Customers from Financial harm as a result of fraud or financial abuse – Code of Practice').

And I'm satisfied that this good practice requirement meant not just looking out for situations where a customer might be the victim of fraud, but also situations where the customer might be the perpetrator of fraud or a money mule.

Also relevant in this case, as mentioned earlier, is the CRM Code that HSBC has agreed to abide by the principles of.

The relevant considerations for Receiving Firms under the CRM Code sets out the following:

"CRM Code: Payment Journey – Receiving Firm

SF2 Receiving Firms should take reasonable steps to prevent accounts from being used to launder the proceeds of APP scams. This should include procedures to prevent, detect and respond to the receipt of funds from APP scams. Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

Prevention

SF2(1) Firms must take reasonable steps to prevent accounts being opened for criminal purposes.

Detection

SF2(3) Firms must take reasonable steps to detect accounts which may be, or are being, used to receive APP scam funds.

Response

SF2(4) Following notification of concerns about an account or funds at a receiving Firm, the receiving Firm should respond in accordance with the procedures set out in the Best Practice Standards."

In considering all of the above, and to determine if HSBC met the standards required of it under the CRM Code, I have looked at whether HSBC opened the receiving account correctly, whether there was anything in the way the account was being used that should have given HSBC any cause for concern and finally; once notified of fraud did it act appropriately and in a timely manner. And if I consider there were failings in relation to any of the above, I have to consider whether HSBC's acts or omissions fairly resulted in Mr and Mrs E's loss.

I would like to point out to Mr and Mrs E at this point, that while HSBC has provided our service with information about the receiving bank account – it has done so in confidence. This is to allow us to discharge our investigatory functions and HSBC has provided that which is necessary for the determination of this complaint. Due to data protection laws our service can't share any information about the beneficiaries, the receiving bank accounts or any investigation and action HSBC subsequently took. However I would like to assure Mr and Mrs E that I have thoroughly reviewed and considered all the information provided before reaching my decision.

Prevention - The account opening process

To help decide whether or not a bank failed to prevent the loss to an APP victim when opening the beneficiary account, we would generally ask to see evidence that; it correctly followed its account opening procedures; carried out checks to verify the identity of the named account holder; and did its due diligence when opening the account.

However, our service only has powers to consider complaints about Receiving Firms since 1 January 2019 – and we can't consider any acts or omissions carried out by a Receiving Firm that occurred before this date. That means if the account was opened before this date, I am unable to comment or make a finding as to whether I consider a Firm may have failed in its obligations in any way.

In this case, the beneficiary account was opened prior to 2019, so I am unable to comment on or make a finding about the account opening process – as the act of HSBC opening the account happened prior to when our service had the power to look into complaints about Receiving Firms.

Detection - Account activity

The primary duty of a bank is to follow their customer's instructions and make payments as directed in line with the mandate – which is usually set out in the terms and conditions of the account. The CRM Code sets out that Firms must take reasonable steps to detect accounts which may be, or are being, used to receive APP scam funds. This ties in with long standing regulatory and legal obligations Banks and Building Societies have to monitor their business relationships and to be alert to other risks - such as fraud, which would include giving consideration to unusual and out of character transactions.

I've looked at the account history for the beneficiary account and I can't say there was any account activity that I think would reasonably have stood out to HSBC as suspicious or significantly outside of what might be expected for accounts of that type at the time Mr and Mrs E made this payment. I'm also satisfied there was no notification of fraud on the accounts prior to the payment Mr and Mrs E made into the account and no other red flags where it could reasonably be argued that HSBC might have had sufficient grounds to suspect fraud and refuse execution of their customer's payment instructions.

Additionally, Mr and Mrs E have raised that the business they paid was no longer active on Companies House when the payment was made – which HSBC should have identified – and therefore the account should not have been open. I've seen no evidence HSBC was notified of the business closure and similarly, seen no reason why HSBC would have questioned the business' status from the account use. I therefore can't conclude HSBC acted unreasonably by not identifying this, prior to Mr and Mrs E' payment being received.

So, from what I've seen, I'm satisfied HSBC has demonstrated that it has taken reasonable steps to detect accounts which may be, or are being, used to receive APP scam funds. I also don't think HSBC ought reasonably to have had concerns where I would have expected it to have intervened, so I can't fairly say that it could have prevented Mr and Mrs E's loss in this way either.

Response to notification of fraud

The Best Practice Standards set out that a Receiving Firm must take appropriate action, in a speedy manner, upon notification of APP fraud and notify the Sending Firm if any funds remain for recovery. Here, once notified of the scam, I'm satisfied HSBC took the necessary

actions required of it and did so in a timely manner. Unfortunately, no funds remained in the beneficiary account as they had already been moved on / withdrawn from the account.

I note that when HSBC was notified of the scam allegation, it questioned its customer on the payment received. It has taken further actions as a result, which I am unable to disclose to Mr and Mrs E.

So, taking the above into consideration I'm satisfied, following notification of APP fraud, HSBC responded in accordance with the procedures set out in the Best Practice Standards. And I don't think I can fairly say HSBC didn't do enough to respond to the alleged APP fraud.

Overall, while Mr and Mrs E were the unfortunate victims of a scam, I'm satisfied that HSBC met the standards required of it under the CRM Code. I also don't think HSBC could've done anything more as the Receiving Firm to have prevented the loss of Mr and Mrs E's money. And it responded appropriately once notified of the fraud. So, it follows that I don't think it is liable to reimburse Mr and Mrs E for their losses under the CRM Code or otherwise.

My final decision

For the reasons given above, 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 and Mrs E to accept or reject my decision before 16 July 2025.

Kirsty Upton
Ombudsman