DRN-5230153

The complaint

Mr G has complained that HSBC UK Bank Plc failed to offer him support when he began spending in a compulsive and harmful way.

Mr G is being represented by a family member. For the sake of clarity when I refer to Mr G's submissions I mean those provided by himself and his representative.

Background

Mr G has explained that following the death of his father he received a large inheritance of over £100,000. Between October 2023 and August 2024, he went on to gamble and lose the entirety of those funds. He believes that HSBC failed to identify the behaviour on his account as that of a vulnerable consumer and thus believes it failed in its duty of care towards him. He wants the bank to refund all of the gambling transactions he made on the account.

HSBC has said that Mr G had been using the account to gamble prior to receiving the inheritance funds. It accepts that the amount of money he was gambling increased dramatically but says that at no point in time did Mr G's account show any signs of vulnerability such as going into an unarranged overdraft or having bills or standing orders returned unpaid. It says as Mr G was spending is own money and not applying for lending it was unaware of the gambling activity or that Mr G was vulnerable. So it didn't think it had done anything wrong by not contacting him and didn't uphold his complaint.

Unhappy with HSBC's response Mr G brought his complaint to our service. Once of our investigators looked into it already. She found that while there was gambling activity on the account before he received his inheritance the amount of money Mr G start to spend through the account changed dramatically in 2024. So, she thought that HSBC ought to have noticed the change in activity and that should have prompted it to review the account and contact Mr G to ensure he was comfortable with the amount he was spending. However, she didn't think she could make a finding that any contact with the bank would have resulted in Mr G no longer gambling and so she didn't think she could hold the bank liable for his losses. So instead, she suggested it pay Mr G £300 in compensation for its failure to contact him and offer support when there were indications on the account that he was vulnerable.

HSBC accepted the investigator's findings, but Mr G didn't. In response he said that HSBC ought to have blocked the account to prevent further harmful spending and that its failure to do so made it liable for his losses. He wanted the bank to refund the entire £100,000 he lost and asked for an ombudsman to review his complaint again, and so it's been passed to me for consideration.

My findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I would like to thank Mr G and his representative for their submissions as I appreciate compulsive spending and problem gambling can be extremely difficult to speak about and they have done so honestly and frankly.

I would also like to clarify I've summarised the events of the complaint. But I want to assure both parties that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Mr G has queried why the bank failed to contact him when he received a large deposit into his account and then subsequently started to gamble in considerably higher amounts than he had previously done. He believes that the bank failed in its duty of care to him.

I think it would be useful to clarify that bank accounts aren't actively monitored by people anymore. Even when we call to speak to bank representatives on the phone the people we speak to may only have access to limited information linked to the specific question we ask and not sight of the entire account, or individually listed transactions.

Which means no one in HSBC was reviewing the information on Mr G's account in the way he might assume they were. Manual reviews, where a staff member actively reads account statements and sees the types of transactions that are taking place, only happen when there is a specific risk identified that prompts the business to think such a review is necessary. Or where a consumer asks for a review directly or has an agreement in place with the business that such a review will take place.

Instead, for most of the time, businesses rely on algorithms to identify risk to the account and the account holder. And those algorithms are primarily designed to look for things like evidence of financial harm, such as direct debits going unpaid, or people going into unarranged overdrafts or exceeding agreed overdraft limits. Or fraud and scams, where unauthorised third parties access funds without permission.

In Mr G's case, HSBC has confirmed that it did contact him when the first large deposit linked to his inheritance was received and subsequently transferred to another account he held elsewhere. And during that conversation Mr G confirmed the second account was his and the transfer was fully authorised. Which meant that HSBC then flagged that other account as a 'safe' or 'known' account. So, when Mr G then subsequently transferred another large lump sum from his HSBC account into that known account, no additional checks were required.

This is important because when Mr G started to gamble in an excessive way after October 2023, the money he used was transferred from that known account. An account that he had previously given assurances to HSBC was legitimate and linked to him. So, I don't think the bank was wrong to not question these later transfers of funds into his HSBC account as the source had already been verified with Mr G directly.

However, that's not to say that the bank shouldn't have queried the activity on Mr G's HSBC when it began to change dramatically in 2024. Prior to that time Mr G's HSBC account held a relatively low balance. It was used for gambling regularly, but the amounts being gambled, and the volume of transactions running through the account were low. From late 2023 early 2024, this activity changed dramatically. And I think HSBC ought to have noticed that change in behaviour and should have checked whether it was linked to a potential vulnerability.

Prior to 2024, Mr G had run the account with monthly transactions of less than £200 on average. However, in late 2023 and early 2024 Mr G started to gamble in increments of hundreds, then thousands of pounds. For example, in April 2024, Mr G made 36 gambling transactions in a single day with a combined valued of over £6,300. So, I understand why he thinks HSBC ought to have noticed this and queried it with him. And I agree with him on that point. The activity had become so unusual for the account, something should have flagged on HSBC's systems, and it ought to have checked with Mr G that he was comfortable with the spending on his account, which was extremely high risk and potentially linked to a known vulnerability, i.e. compulsive spending and harmful gambling. Had it spoken to him at that time it could have also sign posted him to external support as well as making him aware of any support the bank had available for him, such as gambling blocks, which may have reduced his spending.

However, I can't be sure what the outcome of any contact with the bank may have been had it taken place. And I can't safely make a finding that if HSBC had contacted Mr G to speak to him about his gambling it would have resulted in him changing his behaviour.

While I fully understand why Mr G's representative thinks the bank ought to have blocked his account to prevent further spending on it, Mr G was already an adult at the time and the bank had no authority to block his account in that way. While I appreciate Mr G was extremely vulnerable at the time, that doesn't mean he wasn't capable of managing his finances. For a bank to block fully authorised transactions there would need to be serious fears the individual lacked mental capacity to manage their own affairs and the bank had been put on notice of this, or that they were being coerced, neither of which were true for Mr G at the time.

Which means that while I do think the bank should have done more to support Mr G, and ought to have contacted him to query the transactions on his account, I don't think it should have blocked them without his authority and consent. And I can't say that Mr G would have given HSBC consent to do that if it had contacted him. So, I can't find the bank liable for his losses.

I agree with the compensation amount suggested by our investigator and think HSBC should pay Mr G £300 in recognition of its failure to offer support when it was clearly needed. I appreciate that Mr G will be disappointed with this finding and that it in no way reflects the money he has lost or the impact those losses have had on him. But for the reasons set out above I don't think the bank is liable for those losses.

Putting things right

HSBC UK Bank Plc should pay Mr G £300 compensation in recognition of the distress caused by its failure to offer support to a vulnerable consumer.

My final decision

For the reasons set out above I uphold Mr G's complaint against HSBC UK Bank Plc.

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

Karen Hanlon
Ombudsman