

The complaint

Miss R complained because:

- she believed there were fraudulent transactions on her account with HSBC UK Bank Plc; and
- HSBC dealt with her concerns as a complaint, not as a fraud investigation.

What happened

On 3 April 2024, Miss R contacted HSBC by online chat. She said she'd been noticing hundreds of pounds disappearing from her account. She said she'd done a supermarket shop the previous day, and three other purchases after that. When she'd got home she'd checked her online banking, which she said showed she was missing money. She said it had happened several times before.

HSBC's chat adviser asked whether Miss R had authorised four transactions on 2 April, and gave details. Miss R said she had authorised those, but she believed there had been either a glitch or a ghost transaction, and it had happened several times before. She said she'd had money coming out of her account for the past month and she'd like an investigation to be made.

Miss R explained that she'd decided just to pay attention to her spend and the current available balance figure. She said she wasn't sure how much money had gone into a void, but was confused and concerned. She said she'd checked her balance before and after every time she spent. The adviser replied that the transactions Miss R had mentioned were all in pending.

Miss R said that what shows on the screen, and what had actually happened, are two different things, which needed to be looked at – and it had been happening for a while.

The adviser replied that she would raise a complaint, and its specialist team would acknowledge within five working days. Miss R said she was quite concerned and didn't feel her money was safe. She asked what would happen if it happened again within those five days, and the adviser replied that it wouldn't necessarily take that long.

Miss R received an acknowledgement, but it was 23 May before Miss R heard back from HSBC's complaints team. It phoned her and sent a letter, saying it couldn't identify any discrepancy. HSBC said:

"All card transactions debit accounts in 3 stages, request for funds, authorisation or decline, and claiming of funds. Authorisations (pending transactions) can remain live for a maximum of 18 days prior to being claimed by the retailer... Whilst the pending transactions would reflect on your available balance, they would not reflect on your statement balance."

HSBC said that it understood Miss R had checked her transaction history and hadn't identified any unrecognised transactions.

Miss R replied by email the next day, saying that in her first conversation with the chat advisor, she'd reported a fraud, but HSBC was dealing with it as a complaint instead. She

said HSBC had a duty to provide good service, and she didn't believe HSBC had appropriately dealt with her report of a cybercrime. So she wanted to complain about HSBC's service:

- that it should have dealt with it as a fraud / cybercrime, not a complaint; and
- she wanted a proper investigation of the fraud / cybercrime.

Miss R also contacted this service, as she wasn't happy with HSBC's response. She said that on the first call with HSBC, she'd told HSBC it should have been reported to Action Fraud and a proper investigation made, as "ghost" transactions were an act of cybercrime, and fraudsters could change bank statements. But HSBC's adviser had said it was its final conclusion and no further investigation would be made. Miss R said she'd also been to a local advice service which had told her HSBC should have frozen her account while it investigated. But her account was still active and HSBC hadn't made a proper investigation. She said she wasn't sure how much money had disappeared from her account, and was quite concerned because she didn't know what to do.

Miss R explained that she didn't have time to be all the time on the app to check her transactions, but she knew that at the end of the day on 2 April there had been £100 missing. She was extremely concerned because she didn't know how much she'd lost, or whether it was still happening. She said HSBC had taken no action to protect her.

Miss R also disagreed with the fact HSBC had dealt with this as a complaint and not as fraud. She believed HSBC hadn't protected her account as it should have done, and she still didn't know how much more she'd lost.

Miss R continued to ask HSBC questions by chat on 21 June. She said she'd just made a £50 transfer into her account, but it didn't show up on her balance. There were also pending transactions, but those had already come out, so she said they shouldn't "ghost" her £50 credit. The adviser said it was best to wait till the pending transactions have come out, acknowledged that the £50 credit had reached Miss R's account, and said that if Miss R thought the pending transactions were fraudulent, she should report it to another part of the bank. Miss R wasn't happy with that, saying that she was reporting it now.

There were further chat messages, both that morning, and in the evening. The final message from the advisor said that there were lots of pending transactions which were impacting the available balance, and that the merchant or company has 5 working days from the date of transaction to claim the money. If they don't, this would be credited to the available balance. The adviser then said:

"I highly suggest to make the payment or transaction again within 2-3 working days if the transaction is no longer pending, from there you can see the actual balance of your account and make the transaction again."

But this wasn't Miss R's concern, about a pending transaction needing to be made again.

On 16 July, HSBC replied to Miss R's May email. It said it had previously investigated the changing balances on her account, and wouldn't be addressing this further, though it did say:

"Although the balance was changing, unlike a Bank Account, the Global Money account doesn't show a day by day balance like a statement. Instead, your transactions are displayed as the transaction is confirmed as completed. If you had stated that you didn't recognise transactions that had been posted, we would have been able to treat the matter as a fraud investigation. As you stated you recognised all transactions, no further investigation could be provided by fraud."

But HSBC did uphold Miss R's complaint and said a bank error had happened. It said the chat adviser should have outlined clearly that a fraud investigation wasn't being requested, but that a complaint was being raised for action. So it paid Miss R £50 compensation, as an apology for any distress and inconvenience.

Miss R remained unhappy and our investigator looked at her complaint.

The investigator sent Miss R HSBC's transaction history for her account. Miss R said that they were all legitimate, but that at the time she'd believed her phone had been hacked. And as there hadn't been any fraudulent activity, there wasn't any financial loss for which he could hold HSBC liable.

He also said that HSBC should have frozen Miss R's account when she reported that she suspected fraud. But he said there hadn't been any financial loss as a result of HSBC's error, and as Miss R only discovered later that her account hadn't been frozen, the error hadn't caused her any distress or inconvenience either.

Miss R didn't agree. She said she didn't believe HSBC had handled her case properly, and who knows how much money had been taken from her account. She said that fraudsters use very advanced techniques to scam people, but HSBC hadn't dealt with her case as fraudulent, instead assessing it as a complaint. She said her account should have been frozen from day one when she first told HSBC about ghost transactions.

Miss R also disagreed with the investigator's view that it didn't cause her distress. She said it did cause her distress, to the point she went to a local advice centre, and moved her remaining money on the account to another bank, as well as contacting this service.

Miss R asked for an ombudsman's decision.

My provisional findings

I issued a provisional decision on this complaint. This was because I'd come to a different conclusion to the investigator. Issuing a provisional decision gave both sides the opportunity to comment on it, by the date set, before I issued a final decision.

Before issuing the provisional decision, I considered all the available evidence and arguments to decide what would be fair and reasonable in the circumstances of this complaint.

First, I sympathised with Miss R, and said I could understand that she had genuinely been distressed about the security of her account. I had read the chat messages, and Miss R's email to HSBC, carefully. It was clear that she continued to express concern that she thought she'd lost money, and she didn't find the chat answers, or HSBC's letters, reassuring.

Had Miss R lost money?

Looking first at whether Miss R had actually lost money, our investigator sent her a list of transactions on her account, which she confirmed were all genuine. As she confirmed that all the debits to her account were ones she'd authorised, she hadn't lost money. So it didn't appear that Miss R was a victim of a cybercrime as she believed.

Did HSBC explain how transactions and statements worked on her account?

It turned out that Miss R hadn't lost money. But the problem was about how transactions appeared on her account, and the chat answers didn't make it at all clear to Miss R how transactions, pending transactions, statements etc worked. So it was understandable that she was worried. It's not easy for a customer to understand the complexities of pending transactions. This wasn't sorted out quickly, either - she first raised it on 3 April, and she was still trying to understand it in the chat on 21 June. I found it was unfortunate that HSBC's various advisors, especially those on chat, weren't able to provide Miss R with a clear explanation.

I appreciated that HSBC's letters of 30 May and 16 July did try to explain how the system worked. But sometimes this wasn't helpful either – for example:

"Although the balance was changing, unlike a Bank Account, the Global Money account doesn't show a day by day balance like a statement. Instead, your transactions are displayed as the transaction is confirmed as completed." This didn't fully explain why the Global Money account wasn't like a bank account, and in what ways.

What was really needed here was someone to explain clearly to Miss R how the various pending transactions, debits and credits on her account worked – and how a Global Money account differed from a bank account. If that had happened, I considered Miss R would have suffered less worry about potential security threats to her account.

Should HSBC have frozen Miss R's account on 3 April?

I considered whether HSBC should have frozen Miss R's account on 3 April when she first contacted it. At 8.24 am on 3 April, Miss R said in chat " *I am definitely having money coming out of my account for transactions I didn't do and this has been happening for the past month.*" She asked HSBC to investigate, and said that what was on the screen was wrong.

HSBC's adviser got Miss R to confirm whether or not she'd made four recent transactions. She said she had, but went on to say "*What shows on the screen and what actually happened are two different things that need to be investigated and looked at. More concerning is that this is probably happening for a while.*"

HSBC's adviser then said she'd refer this for a complaint. I considered this wasn't appropriate. Miss R hadn't complained. She'd asked for an investigation, and had talked about transactions she hadn't done – in other words, potential fraud - which she said had been happening for the last month. The chat advisors only asked her to confirm the four transactions on 2 April. So I considered HSBC should have frozen Miss R's account and investigated.

It didn't make any difference that in the end, it turned out that Miss R had authorised what had come out of her account. That wasn't known at the outset, and as she'd reported that there were transactions she hadn't authorised, it needed potential fraud to be investigated. Also, banks have 8 weeks to respond to a complaint, and Miss R herself asked what would happen if it happened again before she had a reply. I also thought it was likely that a fraud team could have carefully explained to Miss R how and when transactions appear, more promptly than the final complaint responses she received.

Conclusions

Miss R didn't suffer a financial loss here, because fortunately it turned out that she had authorised all payments which went out of her account. But I consider HSBC should have routed Miss R's concerns through its fraud investigation team, freezing her account on 3 April while it investigated. Its chat staff only asked her about four transactions the previous

day, when Miss R said the problem had been ongoing. If it had done so, I considered Miss R would have suffered less worry. She'd also have had less inconvenience, because she might not have felt she needed to go to a local advice service, or move her money to a different bank.

I also considered that much of this problem could have been resolved much earlier if HSBC had provided a clear, simple explanation about the complex system of pending transactions, debits and credits, and what shows on a screen. It also didn't explain why Miss R's Global Money account differed from a bank account.

So my provisional decision, subject to any comments from both sides by the date for responses, was that HSBC should pay Miss R £150 compensation for its poor service in relation to Miss R's concerns. HSBC has already paid Miss R £50, leaving £100 still to pay.

Responses to my provisional decision

Neither Miss R, nor HSBC, agreed with the provisional decision.

Miss R said HSBC had never pursued a criminal or fraudulent investigation, nor contacted Action Fraud or the police, nor had it given her a crime reference number. She was still unhappy that HSBC had dealt with her case as a complaint instead of disputed transactions. Miss R still didn't understand how pending transactions worked. She said that not receiving a report or crime reference was against all financial regulations as well as her rights as a customer. She said £100 wasn't enough for HSBC's badly conducted investigation which had been poorly managed.

HSBC said that the process to start a fraud investigation is first to determine the disputed payments. As Miss R said that all payments had been authorised, HSBC couldn't investigate payments. It said it couldn't raise a fraud investigation when fraud hadn't taken place. It said that if there had been disputed payments and a loss, it would have cancelled the card and inhibited the account to prevent further losses. It said this would have meant Miss R couldn't access her Global Money Account for 5 to 7 days. And in cases of impersonation or account takeover, it would also lock phone security and online banking, and the customer would have to visit a branch with photo ID before having that access restored. This could cause huge inconvenience to a customer. As HSBC had determined there wasn't fraud when Miss R had said all payments were genuine, it didn't agree that securing the account would have caused less distress.

HSBC also said it had agreed in its final response that the chat agent should have explained more in depth about how pending transactions work. It had raised a complaint to help with Miss R's understanding, and had paid her £50 compensation.

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 carefully considered both responses to the provisional decision.

Looking at Miss R's comments, it wasn't HSBC's role to contact Action Fraud or the police, or to obtain a crime reference number. That's for the individual customer to do. There aren't financial regulations or consumer rights which say that customers have the right for a bank to contact Action Fraud, the police, or to obtain a crime reference number, for them. Miss R also said £100 wasn't sufficient compensation, but that wasn't what my provisional decision

said. I found that £150 would be fair and reasonable, and as Miss R has already been paid £50 by HSBC, that would leave £100 still to pay.

Looking at HSBC's comments, I don't agree that in the circumstances of this case it was correct that HSBC didn't initially conduct an investigation into potential fraud. I've looked again at the chat records. When Miss R started chat, she reported *"I have been noticing money disappearing from my account in £100s... Please advise I am quite concerned."* (11.11pm). She didn't get an answer that night and the next morning the bot asked *"Do you recognise the transaction you want to dispute?"* and Miss R replied *"I don't recognise it."* The bot replied that it could take an hour and a half to be connected to a real person, though it didn't take that long.

Initially the adviser misunderstood which account Miss R was talking about. Miss R explained again why she was worried and said *"I am definitely having money coming out of my account for transactions I didn't do and this has been happening for the past month."* The adviser did check four recent pending transactions which Miss R had made, but Miss R went on to say *"I have money coming out of my account for the past month and I would like an investigation to be made please."*

The long chat conversation continued, but it was clear that Miss R still considered there was something potentially fraudulent going on – and it wasn't just about four pending transactions she'd done the previous day. So I'm not persuaded by HSBC's argument that Miss R was satisfied that all transactions were genuine and authorised. Certainly the chat adviser checked four recent ones, but as I've set out above, Miss R was still clearly convinced that money had been taken out of her account for the last month and she wanted this investigating. There's nothing in any of the chat conversations I've seen which suggests Miss R was satisfied, and as I've set out, she said the contrary, that there had been an ongoing problem for a month and she wanted an investigation. So I consider HSBC shouldn't have ignored what Miss R said, but should have investigated.

It doesn't make any difference that, in the end, it turned out that Miss R hadn't been the subject of fraud. What matters is what was said at the outset and what HSBC did about it. And as I've explained, I can't see that HSBC ever did clearly explain how the system worked, so that she understands this going forward.

I recognise HSBC's suggestion that blocking an account can cause inconvenience to a customer, but prevention and investigation of fraud should take precedence.

Taking the comments of both sides into account, I find that my provisional decision was fair and reasonable in all the circumstances of this complaint.

My final decision

My final decision is that I uphold this complaint. I order HSBC to pay Miss R £150 compensation in total, for distress and inconvenience. HSBC has already paid Miss R £50, leaving £100 still to pay.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 17 March 2025.

Belinda Knight
Ombudsman