

The complaint

Mr and Mrs C complain that HSBC UK Bank Plc ('HSBC') hasn't refunded the money they believe they lost to an authorised push payment ('APP') scam.

The money in dispute was sent from Mr and Mrs C's joint account. However, for ease of reading, I'll refer only to Mr C throughout my decision.

What happened

In February 2024, Mr C instructed a third party (whom I'll refer to as 'M') to carry out some building work at his home. The initial price was £58,800, but M said if Mr C paid a 10% deposit, he would receive a 10% discount on the total price of the work. So, Mr C made two payments to M, totalling £5,292.

M then said that as the total price of the work exceeded £50,000, Mr C could receive a further 5% discount if he paid a further 5% deposit. Mr C agreed and made a final payment to M of £2,205, taking the total sent to M to £7,497.

Mr C was expecting an architect to visit his home around two weeks after the payments were made, to draw up plans for the building work, but this didn't happen. Mr C says M also stopped responding to calls and messages after the payments were made.

In March 2024, Mr C received an email from a third party, who said they were M's bookkeeper. The bookkeeper explained that M had passed away and there was nobody who could do the work Mr C had already paid the deposit for.

Mr C believed M had scammed him and so he reported the situation to HSBC and asked for a refund of the money he'd lost. HSBC refused to reimburse Mr C's loss, so he made a complaint. In response to the complaint, HSBC reiterated that it didn't think it was responsible for refunding Mr C's loss.

Unhappy with HSBC's response, Mr C referred his complaint to this service. Our Investigator considered the complaint but decided not to uphold it. In summary, they weren't persuaded that Mr C had been the victim of an APP scam, which meant HSBC wasn't liable for his loss. Our Investigator said there was insufficient evidence to suggest M hadn't been a legitimate tradesman at the time the payments were made, or that he hadn't intended to do what he was paid for.

Mr C didn't accept our Investigator's opinion. He said there were several factors that demonstrated M wasn't a legitimate tradesman, such as:

- the price of the work was unrealistic compared to other quotes he has since obtained;
- after the payments were made, M made excuses for why the work hadn't started and eventually became unresponsive;
- communication from M had been made outside of regular business hours;
- M's business name was misleading, as it included the word "team", when in fact M was the only director of his business; and
- none of the services the deposit was paid towards have been provided.

As an agreement couldn't be reached, the complaint has been passed to me to decide.

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.

Mr C has made some detailed submissions in support of his complaint. I've read and considered everything he has sent in, but I don't intend to respond in similar detail. I'm very aware that I've summarised this complaint 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. 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 a free alternative to the courts.

At the time Mr C made the disputed payments, HSBC was signed up to the Lending Standards Board's Contingent Reimbursement Model Code ('CRM Code'). The CRM Code provided additional protection from APP scams, but only in certain circumstances.

HSBC hasn't reimbursed Mr C under the principles of the CRM Code. For me to say that decision was wrong – and HSBC should've refunded Mr C's payments in full – I'd first need to be satisfied that the CRM Code is a relevant consideration in the circumstances.

The CRM Code doesn't apply to all APP payments which ultimately result in a loss for the customer. It only covers situations where the payment(s) meets the CRM Code's definition of an APP scam. The relevant definition in this case would be that Mr C transferred funds to another person for what he believed was a legitimate purpose, but which was in fact fraudulent.

I've considered the evidence available, but I can't fairly conclude that Mr C has been the victim of a scam in line with this required definition. This means the CRM Code doesn't apply to his payments and so HSBC isn't required to reimburse him under it. I'll explain why.

The purpose of a payment forms part of the CRM Code definition of an APP scam. As such, the reason Mr C made the payments is a relevant consideration when determining whether the CRM Code applies in these circumstances or not. For me to say the CRM Code applies in this case, I need convincing evidence to demonstrate Mr C was dishonestly deceived about the very purpose of the payment he made – i.e., that it was criminally obtained. To uphold Mr C's complaint under the CRM Code, I'd need to be reasonably satisfied that it is more likely than not that M received his payments for a fraudulent purpose.

Mr C believed that the payments he made were a deposit towards the costs of a building project. Mr C hasn't received any goods or services in exchange for his payments, so I can understand why he believes M has scammed him and why HSBC should be responsible for reimbursing his loss.

I've taken into consideration that the price M offered appears to be unrealistic and this suggests it's unlikely that M would've been able to complete the work for the quoted price. I also appreciate that after the payments were made, M became evasive and unresponsive. Whilst I do find this behaviour concerning, I'm not persuaded it's enough to say that M had no intention of doing the work Mr C instructed him to do, when the payments were made.

I'm also not persuaded communication taking place outside of regular business hours is suspicious. I think it's plausible that a legitimate tradesman would be unable to communicate during the day when they maybe working on other projects, meaning they need to communicate about different jobs outside of regular business hours.

I'm also not persuaded that the business name M was trading under gives any cause for concern. I think it's common practice for legitimate tradesmen to use contractors for specialist work, such as a plumber or an electrician, whilst overseeing the work the contractors perform and arranging for when they attend a site and what work is to be carried out and in what order. Although M was the only director of his company, that doesn't mean he didn't have relationships with contractors to carry out work on his behalf, without them being employees or directors of his business.

At the time Mr C made the disputed payments, M's business had been registered with Companies House for around eight months. And, by Mr C's own admission, M's business had positive reviews on the website Mr C was introduced to M through. Mr C has also explained that M had a professional demeanour and appeared knowledgeable about the building trade. This suggests that M had been acting as a legitimate tradesman when Mr C made the disputed payments.

To help me reach a conclusion on whether Mr C has more likely than not been the victim of an APP scam, I've carefully considered the information that M's bank has provided – namely the bank statements for the account Mr C sent his funds to. However, these haven't given me cause for concern about how the account was being used.

For around a year prior to Mr C's payments, M appears to have been engaged in activity that is consistent with the service Mr C sent the funds for. There are many occasions where M received similarly large credits from third parties, with payment references that suggest he was involved in other building projects.

There are multiple transactions being made from M's bank account that are consistent with the building trade, such as large payments to builders merchants. There are also regular payments to third parties, suggesting M was paying contractors for work they had completed on other projects.

Transactions (similar to those referred to above) continued to take place after Mr C sent funds to M. This suggests M had been operating as a genuine tradesman at the time Mr C paid him and had been engaged in providing that service for at least a year prior to that.

It's possible that Mr C's funds were used by M to complete other existing projects. And, as no plans were drawn up for Mr C's building work, it seems unlikely that any payments to builders merchants or contractors could've been for Mr C's project. But that doesn't necessarily mean the funds were criminally obtained or that M had no intention of starting Mr C's building project.

It's possible that M had a severe cashflow problem, having taken on more jobs than he could complete, and he used Mr C's funds to complete other projects before he was able to begin work for Mr C. Unfortunately, it would appear, M passed away shortly after Mr C's payments and so it's impossible to say with certainty whether he would've started the work, or if he would've been unable to due to financial constraints. So, I can't fairly say it's more likely than not that M set out to scam Mr C at the time the disputed payments were made.

I appreciate Mr C feels very strongly that M has scammed him and that M's behaviour is indicative of fraud. I accept it's possible that M never intended to do the work Mr C paid him for. However, after considering all the evidence available to me, I'm not persuaded it's more likely than not that Mr C has been the victim of an APP scam. To my mind, the evidence suggests M was operating as a genuine tradesman and so I can't say it's most likely that he intended to scam Mr C when the payments were made.

I sympathise with the loss Mr C has suffered, which is a significant amount. However, as I've not been persuaded Mr C has been the victim of an APP scam, I don't find that HSBC acted unfairly by declining to reimburse him under the principles of the CRM Code, when these don't apply in his circumstances.

My final decision

For the reasons explained above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Mrs C to accept or reject my decision before 28 August 2025.

Liam Davies
Ombudsman