

The complaint

Mr C complains HSBC UK Bank Plc won't refund the money he says he lost to a scam.

What happened

Mr C was recommended a sports betting investment company, "X" by a friend who had invested with them – including withdrawing funds. Mr C says he looked into X, including meeting other investors, meeting the company owners ("Director One" and "Director Two") and checking they were registered on Companies House, and decided to invest. In 2020 he sent X £70,000 and received credits back for £20,000.

The police subsequently contacted Mr C and told him they thought X had been operating a scam. They explained they were taking court action against Director One and Director Two. Mr C reported this to HSBC in October 2024, asking it to refund him. It said the payments were subject to a dispute between him and X and it wasn't liable for his loss.

Unhappy with HSBC's decision not to refund him, Mr C referred the matter to our service. Our investigator disagreed with HSBC that the matter was simply a civil dispute; she was persuaded Mr C had fallen victim to an Authorised Push Payment (APP) scam. She concluded HSBC was liable to refund his loss under the terms of the Contingent Reimbursement Model (CRM) code.

HSBC disagrees with the investigator's outcome. It has pointed out charges against Director One have been dropped, and the trial for Director Two is set for 2026. It says we are being premature and pre-empting a guilty verdict by determining, on balance, that X were a scam.

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.

For the following reasons, I've decided to uphold it and to direct HSBC to refund Mr C's remaining fraudulent loss – plus interest from the date it declined to refund him.

It's accepted Mr C made the payments he is now disputing. In broad terms, the starting position in law is that firms are expected to process its customers' authorised payment instructions without undue delay – meaning Mr C is presumed liable for his payments in the first instance.

However, I'm mindful Mr C says he was scammed into making these payments. There are therefore some further considerations relevant to whether it would be fair to expect HSBC to refund him.

Of particular relevance here is the CRM code, which HSBC was a signatory of at the time of the payments. This code requires firms to reimburse customers who fall victim to APP scams in all but a limited number of circumstances. But it doesn't cover private civil disputes – such as where a customer pays a legitimate supplier for goods or services but hasn't received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier. So, the CRM code wouldn't apply to a genuine investment scheme that failed.

HSBC says Mr C's dispute isn't covered by the CRM code as this matter is a private civil dispute rather than a scam. I therefore need to consider, on balance, whether the payments in question meet the CRM code's definition of an APP scam:

“Authorised Push Payment scam, that is, a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer, authorised by a Customer in accordance with regulation 67 of the PSRs, where:

- i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.”*

I consider it clear Mr C intended to pay X, and that he believed he was doing so for a legitimate purpose (to invest). So, what I've considered is whether X's intended purpose was broadly aligned with Mr M at the time the payments were made – and, if not, whether this was the result of a dishonest deception by X.

While charges against Director One have been dropped, Director Two has been charged with a number of fraud offences including fraud by false representation and an offence of carrying on business of a company with intent to defraud creditors for other fraudulent purpose. His trial is set for next year. Mr C's statement was used in the police's submission to the Crown Prosecution Service – and the correspondence I've seen from the police makes clear they consider him a victim of fraud.

I appreciate the trial hasn't happened yet. But the fact Director Two has been charged and a trial date has been set is persuasive evidence, on balance, that X were a scam. This is further supported by the information our service has received about the account Mr C paid (as well as another account held by X). These accounts show no evidence of bets being placed. There is instead evidence of Ponzi-like activity, with lots of payments in and out to various individuals. Significant sums were also sent to the directors - showing they were seeking to make a gain from the funds received.

Taking this altogether, I think this is persuasive evidence that Mr C fell victim to a scam. It seems clear he paid X for the purpose of investing in sports betting, and that X had no intention of investing his funds. The credits Mr C received from X appear likely to be due to the operation of a Ponzi scheme rather than due to any legitimate activity being completed.

HSBC says it is premature and pre-emptory for us to determine this matter a scam. However, it has already determined the matter a civil dispute; it didn't hold off on making this judgment to see how the court case might progress. In any event, I think there is enough evidence available here to make a judgment, on the balance of probabilities, that Mr C's dealings with X meet the CRM code's definition of a scam.

The starting position under the code is that a firm should refund victims of APP scams – as I've determined Mr C was. However, there are some exceptions under the rules which, if applicable, firms can rely on to decline reimbursement.

Of relevance here is that firms choose not to reimburse a customer if they ignored an effective warning. Of it they made the payment(s) without having a reasonable basis for believing that the payee was the person they were expecting to pay; the payment was for genuine goods or services; or the person or business with whom they transacted was legitimate.

There are further exceptions within the CRM code but they aren't relevant here. In any event, HSBC hasn't sought to establish whether any of the relevant exceptions apply. But for completeness I've considered this – and I'm persuaded it wouldn't be fair for HSBC to apply these exceptions in Mr C's case.

It appears no warnings were issued when Mr C made these payments. I'm also satisfied it was reasonable for him to believe he was paying X for a legitimate investment. He was introduced to X via personal recommendation from a close friend, who had invested with them for several months and had received returns. Mr C also met other investors as well as the directors. He checked X's literature and found it appeared professional – and he also looked up and saw X were properly registered on Companies House,

Ultimately, X were operating a sophisticated scam. The fact HSBC has asserted this matter to be a civil dispute further demonstrates why it wasn't obvious to Mr C at the time that they weren't operating legitimately. I think his reliance on a personal recommendation from a trusted, long-term friend who had been able to withdraw/receive returns was a reasonable basis for believing X were providing genuine services.

As HSBC hasn't established any exceptions to reimbursement apply under the CRM code, I think it should refund Mr C's outstanding loss in full.

Putting things right

To put things right, HSBC UK Bank Plc must refund Mr C the disputed payments he sent X as part of the scam, minus the credits he received back from them (and any other sums already recovered or returned to him from this scam). It should pay 8% simple interest per year on this amount, running from the date it declined his claim to the date of settlement.

If HSBC UK Bank Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr C how much it's taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

In order to avoid the risk of double recovery, HSBC UK Bank Plc is entitled to take (if it wishes) an assignment of the rights to all future distributions in relation to scam payments we're upholding that arise, such as from the police investigation and criminal proceedings, before paying the award.

My final decision

For the reasons given above, my final decision is that I uphold this complaint and direct HSBC UK Bank Plc to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 7 November 2025.

Rachel Loughlin
Ombudsman