

The complaint

Mr B complains about HSBC UK Bank Plc trading as First Direct.

He says that First Direct didn't do enough when it allowed an account to be opened by a fraudster to which he made payments.

What happened

In March 2022 Mr B loaned an individual I will refer to as 'C' £20,400 over a 12-week period to help C complete an investment property. The funds were paid to buy out another investor who needed to leave the investment.

However, C didn't repay the loan – and Mr B says that he has been the victim of a scam.

Mr B complained to First Direct as the bank that received the funds, but the complaint wasn't upheld, so he brought his complaint to this Service.

Our Investigator looked into things under the Lending Standards Contingent Reimbursement Model code (CRM Code), but didn't think that the complaint should be upheld. They said that First Direct had fulfilled its obligations under the CRM Code, and that it wasn't responsible for Mr B's loss.

Mr B through his representatives, asked for a final decision, so the complaint has been passed to me.

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.

Having done so, I'm not upholding this complaint for broadly the same reasons as our Investigator.

I know that this will be very disappointing for Mr B, however, being the victim of a scam doesn't automatically entitle Mr B to a refund from the bank that received his money.

First Direct has signed up to the Contingent Reimbursement Model (CRM) Code. The CRM Code sets out what is expected of the 'Sending Firm' and 'Receiving Firm' (in this case First Direct) when payments are made or received.

In summary, the obligations for the receiving firm state that firms should:

- Take reasonable steps to prevent accounts from being used to launder the proceeds of Authorised Push Payment (APP) scams.
- Have procedures to prevent, detect and respond to the receipt of funds from APP scams; and

- 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.

So, with this in mind, I have carefully considered First Direct's obligations here.

First Direct has shared information with this Service as part of its obligations under the CRM code which has allowed me to investigate Mr B's complaint – however I am limited to what I can share due to Data Protection laws, as this information is confidential.

However, I would like to reassure Mr B that I have carefully reviewed all information provided before issuing my decision.

Complaints about receiving banks and any acts or omissions came into our jurisdiction from 31 January 2019. I've seen evidence from First Direct to show that the receiving bank account was opened after 31 January 2019. This means I'm able comment on whether there were any failings by First Direct when the account was opened.

Having looked at the information First Direct has provided, I can't say that there was anything that should have caused First Direct any concern about the way the account was opened or the information and identification it was provided with. I also don't think that there was any indication at the time that the account would be used for fraudulent activity.

I've gone on to consider whether the activity on the receiving bank account ought reasonably to have caused First Direct any concern. Whilst data protection reasons mean I can't share any information, I don't think there was anything relating to the activity on the account that should have prompted First Direct to have any concerns prior to the payments Mr B made into the account. While I understand that Mr B's representatives have said that there were a number of high payments made to the account, this in itself isn't enough to say that the account was being used for fraudulent activities.

Finally, I've considered First Direct's actions on receipt of notification of the scam. From the information I have been provided, by the time the matter had been reported to First Direct, the funds had already left the account – so there was nothing that First Direct could have done to secure the funds that Mr B had sent and prevent his loss. I'm also satisfied that once it was notified of the scam First Direct took appropriate action

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 10 July 2025.

Claire Pugh
Ombudsman