

The complaint

Mr K, who brings his complaint with the assistance of a representative, complains that HSBC UK Bank Plc ought to have reimbursed funds he lost to fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

In early 2024, Mr K came across an investment opportunity that was being advertised on a social media platform. After reaching out to the business, which I will refer to as B, Mr K was contacted by a representative and added to a group chat on a messaging platform.

Satisfied with the terms of the investment, in April 2024 Mr K made six payments from his HSBC bank account to legitimate third-party trading platforms totalling £275,000. He then used those trading platforms to purchase genuine shares in the business recommended to him by representatives of B.

But, shortly after purchasing the relevant stocks as instructed, they fell in value significantly and Mr K lost a majority of his principal investment.

Mr K identified from research that he'd likely been victim of what is commonly referred to as a 'pump and dump' fraud, whereby fraudsters artificially manipulate the value of a share for financial gain.

Mr K reported the matter via his representative to HSBC, setting out that it ought to have done more to protect him. But after considering Mr K's claim, it found that it wasn't liable. It concluded that the matter was a civil dispute, as Mr K had transferred his funds to a legitimate trading platform for the purchase of genuine shares.

Unhappy with this response, Mr K's representative referred his complaint to our service for an independent review. But after considering the evidence provided by both parties, an Investigator concluded that HSBC was not liable for Mr K's losses. Though persuaded the matter was likely a fraud, the Investigator concluded that HSBC wouldn't have been able to prevent it.

Mr K's representative disagreed. They pointed out that HSBC's interventions were inadequate and it ought to have gone further in warning Mr K about the risk of fraud. So, the matter has now 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.

The legality of Mr K's actions

Prior to issuing my final decision, I contacted Mr K's representative to alert them of concerns

I had uncovered while investigating Mr K's complaint.

In summary, when considering the correspondence between Mr K and representatives of B, I could see that Mr K was provided with false information regarding the business he was instructed to purchase shares in. He was informed that a company merger was imminent and would see a significant growth in the business' value. It was made explicitly clear in the correspondence that this was insider knowledge, which was not publicly available, and that that knowledge would provide an advantage to investors resulting in significant profits.

Participating in this type of activity is illegal in the UK. Commonly referred to as 'insider trading/dealing', this practice is an offence under the Criminal Justice Act 1993.

I therefore argued that—though Mr K eventually realised he'd in fact been deceived—it would be unreasonable to expect HSBC to reimburse a loss suffered where Mr K was attempting to participate in illegal activity.

Mr K's representative responded with several points. A summary of the relevant points is as follows:

- The information Mr K gained was false; therefore, he did not in fact hold insider knowledge at the time he invested in the business.
- As this knowledge was falsified for the purpose of deception, it cannot be deemed an illegal act.
- It is the fraudster who has committed market abuse offences and fraud.

I have considered these comments carefully, but don't agree with the arguments Mr K's representative has made.

I accept that the 'insider information' Mr K was provided was part of a deception to persuade him to purchase significant shares in the business. But this does not excuse Mr K from the activity he was attempting to engage in. At the time of making the investments, Mr K knew that he held information that placed him at an unfair advantage. And he sought to financially benefit from this, contrary to law preventing him from doing so. The fact that this knowledge ended up being false does not absolve him of his attempt.

Were I to accept the submissions Mr K's representative has made, and find that HSBC ought to have prevented his loss, Mr K would be set to financially gain, and HSBC to be caused a financial loss, from an attempt to commit a criminal offence.

I cannot justify any scenario where a reimbursement under these circumstances would be fair. I therefore find that HSBC cannot reasonably be held liable for Mr K's losses in these circumstances.

However, for completeness, I will go on to consider the submissions Mr K's representative has made regarding HSBC's lack of intervention and fraud prevention measures here.

Additional considerations

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

There is no dispute here that Mr K authorised the transactions in question. And the starting position in law is that he will be held liable for transactions he authorised in the first instance.

That is due to HSBC's primary obligation to process payments in line with its customer's instructions, as set out in the Payment Services Regulations 2017.

However, taking into account the above considerations, HSBC ought reasonably to have been on the lookout for any transactions that would indicate Mr K was at risk of financial harm from fraud. And where it identifies a risk, it ought reasonably to intervene in that payment and provide warnings relevant to the risk presented.

Should HSBC have identified a risk and intervened in the payments?

Again, there is no dispute here that the payments Mr K was making from his account were significant in value and out of character for his account. That is reflected in HSBC's intervention from the first payment Mr K made from his account, which was for a value of £50,000. It also intervened in subsequent payments made of £100,000 and £15,000.

Were HSBC's interventions adequate, and if not, could it have prevented the fraud?

As part of those interventions Mr K was asked a series of questions, including what the purpose of those payments were. And Mr K answered honestly on each occasion that he was making the payments to his own accounts held within legitimate, regulated trading platforms. He confirmed he had full control of these accounts and had no assistance in setting them up.

Furthermore, Mr K had contacted HSBC prior to making the payments, to check the shares he intended to purchase were legitimate and registered. And a representative of HSBC confirmed that it was officially listed on their systems. However, as it wasn't one it offered as part of its investment services, it raised a request to add it to their portfolio on behalf of Mr K.

This meant that Mr K had confirmed he was paying an account he controlled with a regulated broker, and intended to use these funds to purchase shares in a listed business through those regulated brokers.

These reassurances would have likely quashed any concerns HSBC would have had regarding the possibility Mr K was in the process of being defrauded. I say that as the likelihood of Mr K falling victim to an investment fraud when making a payment in these circumstances did not carry any of the hallmarks typically associated with common investment frauds at the time.

While Mr K's representative has argued that 'pump and dump' schemes were prevalent at the time the payments were made, I would argue that they were not common when compared with other types of investment fraud. And these fraudulent schemes are particularly difficult to unmask considering the victim is purchasing legitimate shares in a business. It is therefore a complex task for banks to warn customers against how to identify such fraudulent schemes.

However, putting this aside, I don't find it unreasonable that HSBC decided to process Mr K's payments after it was provided these reassurances. And I don't find it proportionate in the circumstances that HSBC ought to have gone further in its questioning: as Mr K's representative has suggested. The need to question the investment opportunity further became disproportionate at the point these reassurances were given.

For these reasons, I find HSBC's intervention to have been reasonable and proportionate in the circumstances. I find it unlikely it would have been able to prevent the fraud committed against Mr K or dissuade him from continuing with the payment. I therefore find that it's unreasonable to hold it liable for Mr K's losses.

My final decision

For the reasons I have given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 30 December 2025.

Stephen Westlake
Ombudsman